political evasion

No.30,780

Monday February 27 1989

World News

### **G7** to discuss Fokker and environment and debt at joint bid to next summit

The Group of Seven leading industrialised countries will discuss environmental and debt-related issues for the first time when they meet in Paris this year. President François Mitterrand of France, host of the summit, wants the agenda to include debt and economic development in the Third World and global environmen-

Mr Mitterrand won Japanese support for his plans at a meet-ing with Mr Noboru Takeshita, the Japanese Prime Minister, at the weekend Page 6

United 747 Inquiry lavestigators are focusing on the role a-cargo door latch might have played when a large hole was ripped in the side of a United Ardines Boe-ing 747 near Hawati, killing nine people. The FAA ordered modification to the latches last year. Page 20

**Bush disagreement** President Bush has said he is not in "total agreement" with Mr Alan Greenspan, the chairman of the US Federal Reserve, about the seriousness of current inflation trends adding he is not happy. about the latest rise in interest rates. Page 3

Japan election move Japan's Liberal Democratic Party has pulled out of a key provincial election rather than risk defeat because of public concern over controversial tax reforms and the Recruit financial scandal. The decision is the most dramatic evidence so far of the political damage the LDP has suffered as a result of the Recruit affair.

UK dissent on EMS Delors Committee of central bank governors, which is considering how to achieve economic monetary union in the reach consensus with probably only the UK dissenting from some of the main conclusions, according to European mone tary officials. Page 20

US trade concern Mr Robert Mossbacher, the US Commerce Secretary, has said "narrow national interests" in the European Community may delay liberalisation of EC markets. US companies

disadvantage. Page 4 Argentine credit Argentina will ask the Interna-\$300m credit to help it meet arrears in service payments on its \$60bn foreign debt, Econ-omy Ministry sources said. Central Bank president Jose Luis Machinea is to visit the

US this week for IMF talks.

are concerned that free market

Mandela visit

ERC RADE

Mrs Winnie Mandela spent more than three hours visiting her husband Nelson in prison, her second visit this month and possibly her longest since he was imprisoned in 1962. Three of Mrs Mandela's bodyguards have been charged with murdering child activist Stompie Moekeusi. Page 3

Arianne strike

The launch of Europe's first weather satellite has been cancelled because of a strike by engineers at the South American launch centre, the Ariane

Bangladesh growth Bangladesh will be even poorer slows due to flooding and a worsening trade balance, a World Bank report says.

**Greek election** 

Prime Minister Andreas Papandreou yesterday signalled the start of a bruising general election battle on Sunday, ending on June 18, blaming his opponents for a series of scandals that have rocked the Socialist Comments and led to the Government and led to the resignations of seven minis-

European storms Storms in Europe at the week-end caused the deaths of eight people in Spain and up to 30 sailors were feared dead after their ships ran into trouble

### Business Summary

## **GEC** propose **buy Shorts**

GRC, the UK electronics and defence company, and the Fokker sircraft company owned partly by the Datch Government, have made a joint proposal to buy Short Brothers, the Belfast aerospace company the Government intends to privatise.

GEC said yesterday it had proposed with Fokker a joint company to acquire Short Brothers, on the assumption that by the time Shorts was sold it would have "certain genuine net assets" free of debt. Page 20 GEC, the UK electronics and

EUROPKAN Monetary System:
The Italian lira touched a seven-week low against its EMS
partners last week and the
Bank of Italy sold D-Marks;
dollars and French francs at the Milan fixing. High interest rates have left the lira vulnerable to the recent switch out of high-yielding currencies such as the Australian dollar.

The D-Mark remained the most improved currency fol-lowed closely by the Dutch

GRID 2% 000 D.Krone List B.Franc F Franc. Irish Purit ECU DIVERGENCE

5% 000 Limit - ECU Parity - Day Postion

The chart shows the two con-straints on European Monetary System exchange rates. The apper grid, based on the weak-est currency in the system, Defines the crise-rates from hich no currency (except the lira) may move by more than 24 per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Bcu), itself derived from a bas-het of European currencies. SHELL CHEMICALS, UK chemicals arm of the Royal Dutch/Shell oil group, is expec-ted to announce today plans for a £75m (\$132m) pipeline to carry raw materials to two big Shell chemicals plants in

north-west England. The 150 mile pipeline, across the Peninne mountains from Teesside to Manchester, would be the biggest chemicals infrastructure project in Britain for years and could be operating in two years. Page 8

WATER privatisation in UK is up to six weeks behind the Government's schedule, according to confidential documents leaked to the Opposition Labour Party. The disclosure follows recent setbacks to pri-vatisation plans involving higher charges and difficulties in meeting stringent EC rules. Page 8.

FIRST INTERSTATE Capital Markets, UK merchant bank-ing arm of the American West Coast bank, is hiving off its securities business into a new affiliate for regulatory purposes. Page 8

KOOR INDUSTRIES, Israel's biggest industrial concern, has won a seven-week reprieve from a US bank. The threat of compulsory liquidation was lifted after Bankers Trust, the company's principal foreign creditor, said it was withdraw-ing the liquidation request filed last October after Koor failed to repay a \$20m loan.

UNILEVER, diversified Anglo Dutch group, has made a fur-ther tactical acquisition to reinforce its leading position in the world tolletries market through Unichema, part of the Anglo-Dutch multinational's speciality chemicals division, which has bought a 90 per cent stake in Glyco Iberica, a pri-vate Spanish manufacturer of raw materials. Page 23 . AUSTRALIAN subsidiaries of Ford of the US and Nissan of Japan have sealed an agreement to share production of a medium-sized, four-cylinder car to supplement range and help them withstand local and foreign competition. Page 6. NYSE, Canadian and Over the Counter prices in Europe issue refer to trading on February 23. Updated prices could not be included due to a computer

malfunction. Pages 32, 33, 34

### By Peter Riddell, US Editor, in Paking

THE two-day celebration by President George Bush of what he called a "vital and special" relationship between the US and China was last night marred by an embarassing row

over human rights.

Fang Lizhi, a prominent dissident who has called for increased freedom in China, was physically berred by the Chinese police from attending a dinner hosted by President Bush and to which he had been invited. After an attempt to

AYATOLLAH Ruhollah

Khomeini, the Iranian leader, yesterday held out the prospect of improved ties with the

Soviet Union as Iran's relations

with other countries continued to deteriorate over the death

threat to British author Sal-

man Rushdie.

In a rare meeting with a foreign leader at his home in Tehran, Ayatollah Khomeini had
talks with Mr Eduard Shevard-

nadze, the visiting Soviet For-eign Minister. Both men said they wanted better relations. The British Government had

asked Mr Shevardnadze to raise the Rushdie issue with

Ayatollah Khomeini, but the

Iranian news agency IRNA said the affair was not men-

Their talks appeared from the reports by the official Ira-nian media to be as much reli-

gions as political. The Ayatol-

lah apparently again urged Mr Mikhail Gorbachev, the Soviet leader, to think about Islam

rather than communism as a

solution to social problems.

The meeting was held

against a hackground of fur-ther demonstrations around

the world by Moslems in sup-

port of the Ayatollah's death threats against Mr Rushdie, the Indian-born British novel-ist, over his book The Satanic

Verses. It also came as the Ira-

nian parliament prepared to

hold a special debate tomorrow

aimed at a formal break in din-

lomatic relations with Britain.

British officials say that such a break would have no immediate practical implica-tions, since both countries are withdrawing all their diplo-mats from each other's capitals

over the Rushdie dispute, but

it could make it more difficult to restore normal relations in

Iran confirmed at the week-

end, that it was cancelling a British Technical Week due to

take place next month. More than 30 British companies,

tioned in the talks.

matic post-midnight appearance in the travelling White House press room. He said the affair was "a sign of the human rights problem in Chine"

Khomeini holds out

links with Moscow

By Victor Mallet, Middle East Correspondent, in London

prospect of improved

During a round of photo-ophuman rights. However, Zhao Ziyang, general secretary of the Chinese Communist Party, warned against reformers going too far in urging a multi-party system which would risk social unrest and possibly lead to a rolling back of changes already made. Mr Bush had referred to a worldwide movement toward

interview on Chinese television

ald" show.

The importance attached to the relationship was under-lined by the disclosure by Mr Marlin Fitzwater, the President's press secretary, that China has been excluded from the current far-reaching review by the Administration of its foreign policy. "We know

Difference of opinion with Greenspan, Page 3; Korean talks, Page 6

### Rise in UK base rates feared as City awaits trade news

D 8523A

By Peter Norman, **Economics Correspondent** in London

FEARS ARE growing that Britain may be forced this week to raise bank base rates to 14 per cent from 13 per cent if trade figures due on

Wednesday prove poor.
Last week's weakness in sterling, when the pound lost more than 2 per cent of its value against the D-Mark, together with higher US inter-est rates have increased the already strong pressures on Mr Nigel Lawson, the Chancel-lor of the Exchequer, to produce a cautions budget on March 14.

Even if Wednesday's trade figures are "good", with a cur-rent account deficit of around £1.5bn 1\$2.64bn) in line with the consensus of analysts' forecasts, sterling could still come under pressure later in the week if West Germany's Bundesbank decides to tighten its monetary policy at its council meeting on Thursday. "The switch in sentiment

has left sterling very vulnera-ble indeed," argues Mr Keith Skeoch, Chief UK economist of stockbrokers James Capel. In his latest review of the British economy, he says a January current account deficit over £2bn could result in a move to 14 per cent base rates.

Such a development would add to the British Government's political difficulties after its candidate was nearly npset by the SDP in the Rich-mond by-election and the opposition Labour Party's recovery in the opinion polls.

A weekend Gallnp poll showed Labour and the Con-

servatives tied at 35 per cent. A Harris poll, meanwhile, put the opposition party a point ahead of the Tories with 42 per cent of the popular vote, the party's highest share since before the 1983 election. Higher interest rates would

also provide a grim backdrop to Mr Lawson's final budget deliberations by reviving fears that too tight a monetary pollcy, introduced when nobody has a clear idea whether the Government's present economic strategy will work, could lead to recession.

The Chancellor's hope that the economy can be piloted towards reduced growth, lower inflation and a progressive decline in the current account balance of payments over the next four years is backed in a report today by the London Business School. LBS Outlook, Page 11.

### Bush's Chinese celebration upset by ban on dissident

gain entry he went round to the hotel where US journalists were staying and made a dra-

ing ahont the movement toward reform and freedom in China.

portunities and warm mutual complements over the weekend, Mr Bush sought to under-line the strength of US

- China relations to counter recent Soviet initiatives in the region. Mr Bush himself played down areas of difference, such as Taiwan, missile sales and

worldwide movement toward greater freedom, including in China. He said this during an watched by an estimated 400m to 600m people, just before the peak hour "Mickey and Don-

### Spanish bankers face bitter talks on shareholdings

By Peter Bruce in Madrid

A RAPID and potentially bitter reallocation of Important shareholdings in two of Spain's biggest commercial banks, Banco Central and Banco Espanol de Credito (Banesto) is likely to start today after the collapse on Friday night of ambitious plans to merge the two banks.

Some 5 per cent of Banesto is at stake and 6 per cent of Banco Central. In the face of unrelenting hostility to the merger, Mr Mario Conde and Mr Alfonso Rscamez, the respective chairmen of Banesto and Central, agreed on Friday to end the nine-month merger process. The Bank of Spain, the central bank, supported

employees and friendly clients, who would then be free to trade it oo the market. Shares in both Banco Cen-tral and Banesto were suspended on all Spanish markets on Friday and it was not clear late yesterday when trading would resume. Under the merger agree-ment, both banks had held

tribute it initially to Banesto

their share prices equal since October and Banesto shares could fall once they are quoted again. Both were trading at Pta4,750 (\$42) when the market closed on Thursday. Banco Central's sharehold

ing, meanwhile, has been com-plicated by a decision by the KIO to sell its 48.8 per cent

Continued on Page 20

### their decision. The merger would have creshare in Cartera Central, its joint venture with the Alber-tos, who have a small control-The merger would have created Spain's biggest bank with assets of \$50hn. But it was fiercely opposed by Cartera Central, a joint venture between the Knwait Investment Office (KIO) and two Spanish cousins, Mr Alberto Cortina and Mr Alberto Alco-cer. ling majority. KIO's participation in Spanish banking has always been controversial, although the Government has restrained its irritation because of the large, and welcome, industrial invest ment the group has made in Spain since 1985. But the boardroom infighting at Banesto and the Albertos' overt attempt to stop a merger Cartera would have been the biggest shareholder in the merged bank, but as part of the merged bank, but as part of the agreement to end the merger, it is to put its holding of around 2 per cent in Banesto on the market. Just over 3 per cent of Banesto, belonging to Mr Juan Abello, Mr Conde's estranged business partner who resigned as Banesto's which the Government had encouraged has made the Kuwaitis uneasy. The last straw appears to have been the recent intense publicity and lurid magazine vice-president on Thursday, is pictures surrounding the adul-A woman in Beirst yesterday bends over a small girl holding a also up for sale. The Bank of Spain placard supporting the death threat proclaimed by the Ayatoliah terons affair between Mr Alberto Cortina and the Marquesa de Cubas. KIO is run Khomeini, whose photograph is pasted on the wall behind them. opposed to Banesto buying the stock directly because Banesto has been forced during the past world leaders to "take firm nominally from London, but observers suggest that the sen-sitivity inside Moslem Kuwait action to ensure that these few months to buy large threats are withdrawn." In Lebanon, the US, and in amounts of its own equity to keep its share price equal to to such a public scandal can-Qom in Iran, Moslem protesters insisted that Mr Rushdie's not be underestimated. Banco Central, as required by Last week officials close to the merger agreement. According to reports in Madbook blasphemed against KIO in Spain were scathing in Islam. In Denmark, there was their criticism of the way the rid yesterday, Mr Conde will one demonstration by Mos-lems, and a smaller rival pro-Albertos have handled the try to buy the stock and distest by Iranian political refu-

### Olivetti to decide on Intel chip for LSX minicomputer range

struction work in the oil and

gas and power supply sectors, had been expected to attend.— In the UK, the Council for

Mosques in Bradford, which

has the country's largest Mos-lem population of about 50,000,

urged a boycott of all publica-

tions of Viking Penguin, publisher of Mr Rushdie's book.

British writers called for fur-

ther action in support of Mr

Rushdie. They also called on

At a seminar in London.

By Alan Friedman in Milan and Louise Kehoe In San Francisco phone & Telegraph, the US

ters.
The decision, which has been

hotly debated inside the Italian company for more than a year, will see the use of US group Intel's new 860 super chip. This outperforms all existing microprocessors by combining reduced instruction set compnter (Risc)tachnology - which handles simple instructions vary quickly - with a conventional microprocessor approach where a set of complex instruc-tions are designed to perform frequently-required functions. Tha Olivatti decision.

together with Intel's expected

expected to announce today the choice of a new advanced intel microprocessor for its new range of LSX minicomputers.

unveiling of its 860 at a press conference in California today, could have far-reaching implications for the industry. Intel's new children in the fast growing challenge in the fast growing. new chip represent a major challenge in the fast-growing market for microprocessors used to run computer work-stations and multi-user com-

Leaders in this competitive field are Sun Microsystems of California with its Spare chip, Motorola with the 88000, and MIPs Computer of the US. Intel is a late entrant into this market but its ties with software developer Microsoft and IBM which have shown interest in the Intel 860, may provide it with a major boost. Olivetti was originally expec-ted to adopt Sun's Spare chip along with American Tele-

telecommunications and com-puters group with which the Italian company has had a long-standing relationship. A year ago the choice by Olivetti of a new microprocessor was among the subjects being discussed by Olivetti and AT&T when the companies reexamined their "global alli-ance" and decided to pursue a strategy of independent deci-sion-making and a relationship

gees opposed to Iran's death threats.

Editorial comment, Page 18

Continued on Page 20

based on commercial grounds. Olivetti's decision not to use both the Sparc or and Motorola chips in favour of the Intel microprocessor comes after a lacklustre 1988 for the Italian company, which is undertak-ing a major reorganisation and trying to regain the initiative in the market.

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World Guide

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Central America: Europe may halp turn tha dream of a common markat into reality \_\_\_\_\_3 Indian economy: Gandhi's moment for steel nerves ahead of the Budget ...... Soviet elections: Polling day test for Gorbachev's perestroika ..... Editorial comments Waiting for Mr Baker; A new charter for UK banking ... Lombard: The case against fiscal activism in

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### **OVERSEAS NEWS**

### West German decision on interest rates awaited

By Andrew Fisher in Frankfurt

THE BUNDESBANK, West Germany's central bank. will be at the centre of attention in financial markets this week, the rise in the US discount rate on Friday having provoked speculation of an increase in key German rates.

Import price figures for January, due today, are expected to show a sharp increase, highlighting the Bundesbank's concern over inflation. Provisional consumer price statistics for February should also show a continuation of the January annualised inflation rate of 2.5 per cent.

Much of the rise in annual inflation from the 1.6 per cent shown in December stemmed from consumer tax rises. However, the Bundesbank, whose policy-making council will meet on Thursday, is also wor-

Polish premier

attends plays by

Czech dissident

nine months' jail in Prague for

ioining demonstrations comme-

morating the suicide in 1961 of

Jan Palacb, a Czech student opposed to the Soviet invasion of his country.

The unprecedented gesture by Mr Rakowski was designed to signal disapproval of the

Czech action, demonstrate lib-

eral intent at home and project

a reforming image in the West.

Adam Michnik, a veteran dissi-

dent, read out a protest against Mr Havel's jail sentence.

Teatr Powszepchny in Warsaw, had been performed there in 1981, just before martial law.

Polish state television ran

reports on the production,

showing the authorities are

keen that their gesture in

allowing the plays to be put on now is noted by the public at

The plays, staged at the

After the performance, Mr

By Christopher Boblaski

in Warsaw

ried that companies might raise prices as they reach capacity limits at a time of continuing economic growth.

"The Bundesbank does not want to lose its anti-inflation credibility," said Mr William Ledward, sanior European economist with Nomura Research in London. "Logi-cally, the Bundesbank should raise the discount and Lombard rates hy half a point." They were last raised by this amount, to 4 and 6 per cent respectively, in January.

Because of the recent mild weather, production should show a gain for January, with figures due shortly. The moderate winter of 1987-88 helped to propel growth at a much faster rate than expected. Mr Ledward said growth could reach 3 per cent this year, though most forecasts indicate about 2.5 per

Although the half-point rise in the US discount rate to 7 per cent made a German rate rise more likely, some economists said the Bundesbank could decide against this to avoid further irritating the French Government, which wants to keep rates down. Also, the D-Mark has strengthened against the dollar, easing the inflationary danger from the currency side.

At the securities repurchase deal with commercial banks last week, rates edged above the Lomhard emergency fund-ing rate. Mr Dieter Wermuth, head economist in Germany at Manufacturers' Hanover Bank, said this and the US rate rise suggested a rise in key German

### Soviet reactor shut in earthquake zone

By Quentin Peel in Moscow

MR Mieczyslav Rakowski, Poland's Prime Minister, attended the premiere in War-saw at the weekend of two reactors at an atomic plant in the earthquake-stricken Soviet Republic of Armenia was one-act plays by Mr Vaclav Havel, the Czech dissident closed down at the weekend, in the most dramatic gesture yet by the anthorities to ease fears Mr Havel was sentenced to

about nuclear energy. The closure will cause power sbortages throughout the three republics of the Trans-Caucasus – Georgia, Armenia and Azerbaijan – all of which relied on the plant outside Yer-

Austerity programmes have been drawn up to conserve electricity, including extra night shifts at factories, which are supposed to cut consump-

tion by at least 5 per cent.

The local authorities have already been sharply criticised by the Polithuro's earthquake commission for failing to take sufficiently urgent measures to reduce demand, and failing to varn the population about the

likely shortages.
The plant's second reactor will be closed on March 18, by which time the authorities bope that warmer spring weather will have reduced demand for electricity.

The first reactor, with a capacity of 405,000 Kw, was completed in 1976, and the sec ond, with a capacity of 410,000 Kw, in 1980.

The decision to close the plant has been taken with extraordinary haste after the earthquake last December, in spite of official assurances then that no damage had been caused to it and that its construction was able to withstand even greater shocks.

under attack in Armenia since the Chernobyl nuclear accident the Chernovy miches access in 1986. Opponents say it has had more than 150 "serious malfunctions" and that it should never have been built in an earthquake zone. Construction of a second nuclear plant in neighbouring

The power station has been

since the earthquake. Renter reports: More nationalist demonstrations were reported at the weekend from Thilisi, the Georgian capital. Up to 15,000 demonstrators calling for Georgian indepen-dence tried to meet in a park. About 200 were arrested.

Azerbaijan has been halted

### Defence links on **UK-French** agenda

By Robert Mauthner and Charles Hodgson

GREATER defence cooperation between Britain and France will be high on the agenda of the one-day meeting of Mrs Margaret Thatcher, UK Prime Minister, and President François Mitterrand of France, in Paris today.

in Paris today.

The two leaders will be accompanied at their regular annual summit by their foreign, defence, interior and industry ministers, as well as by Mr Minister Theory will be a prime Minister Theory will be a second. Prime Minister. They will base their defence co-operation discussions on a special report prepared by their respective

defence ministers. The need for greater co-ordination of French and British defence policies was voiced by Mr Rocard in a speech to the Royal Institute of Interna-tional Affairs in London this month. The fact that France and Britain were both nuclear powers gave them a special responsibility for the security of Europe, Mr Rocard said. Other international issues

due to be discussed at the summit include the new tension in relations between the European Community and Iran, after Ayatollah Khomeini's call for the assassination of the British writer Salman Rushdie for his alleged hias-phemy against Islam in his noval The Satanic Verses. Britain has been heartened by the speed and decisiveness of its European partners' nse with diplomatic sano

tions against Iran. In their talks on European Community matters, Mrs Thatcher is expected to reiterate the British Government's reservations about the proposals on closer economic and monetary links being drawn up by Mr Jacques Delors, European Commission President. She has firmly rejected calls for a European central bank and common currency.

Britain and France are expected to agree on two exchange programmes, one aimed to double the number of youth exchanges between the two countries by the end of the year, and the other to provide more exchanges of British and French diplomats.

### Audience loves conciliatory Haughey

VIEWERS of Radio Telefis Eireann, the Irish national broadcasting service, had a choice of viewing on Saturday night, writes Kieran Cooke in Dublin.

On one channel was an early film star-ring that great communicator of the 1960s, Bonald Reagan. On the main channel was live coverage of a speech by Mr Charles Haughey, Irish Prime Minister, to delegates at the annual convention of his gov-

erning Flanna Fail Party.

It was a high-tech performance, delivered with the aid of an autocue in front of giant TV screens, but a lower-key speech:

Mr Haughey's rather leaden delivery at times had all the zest of a Soviet Central Committee report in the old days.

This is not to say the speech lacked

content. The prime minister made his most direct appeal yet to the Unionists in Northern Ireland for talks to bring an end

Mr Haughey's language was far more conciliatory than in the past: he talked of "our unionist countrymen" and the great

future that was possible in a "partnership of equals" between the different communities in Ireland in post 1992 Europe. "The economic needs of both parts of Ireland are steadily converging," he said.

Fianna Fail sees itself as the party of Irish Republicanism. Yet the call for Irish reputers a control or track of search faith—

unity - a central article of party faith was far less strident than before. "Our was ler less stricent than before. Our commitment is to unifying the Irish people in peace and harmony and, in that unity to achieve the highest possible level of prosperity for all the people of this island of Ireland, "said Mr Haughey."

Figure Fall (meaning The Soldiers of Destiny) is full of confidence Mr Haugh.

Destiny) is full of confidence. Mr Haughey's popularity and that of his party have

never been higher.
Since it took power two years ago Mr
Haughey's Government has brought about
a small revolution in the country's finances. Radical cuts in public spending have saved freland from a debt crisis of Latin American proportions. Mr Haughey told his audience of the country's record

balance of payments surplus, its inflation rate of only 3 per cent and the benefits that will come with Structural Fund pay-

ments from Brussels. He said the Irish economy would achieve an average annual growth rate of 3 per cent or more over the next five years, and promised further reductions in personal taxation in the hope of curtailing high emigration rates. He also promised

action on unemployment which, at 18 per cent, is among the highest in Europe. The party faithful interrupted Mr

The party faithful interrupted Mr Haughey's speech with several buists of prolonged applause. A group which tried to protest about Ireland's extradition agreement with Britain was quickly and firmly dealt with hy party security guards. The premier was seriously ill at the end of last year. "Charlie is Back" buttons were on sale. "We Irish are an indomitable race," said Mr Haughey. "The times are favourable, the opportunities beckon, our spirits are high. Let us take the tide at the flood." The audience went wild.

### Moves to end deadlock in Swedish pay talks

By Robert Taylor in Stockholm

LAST-DITCH attempts will be made today to achieve a national wage agreement cov-ering most of Sweden's 1.2m private-sector workers.

Negotiators from the blue-

collar union organisation, the LO, and the employers' body, the SAF, want a deal Neither side relishes industrial strife. Last week, the two sides came near breakdown in the talks. Intervention by the government looks necessary to end the deadlock. Bargainers would like to see a tax-cutting gesture by Mr Kiell-Olof Feldt, Finance Minister, making a central agreement more palat-

able on the shopfloor. With inflation at more than 6 per cent a year, union leaders and employers recognise the need for a central agreement taking into account industrial competitiveness and rising

Negotiators would like a two-year national pact, which would strengthen the central collective bargaining system. However, this seems unlikely

just now. SAF has proposed a 3 per cent wage framework, with larger pay rises for lower wage earners and compensation if inflation accelerates in the next year. With a planned 1 per cent cut in the tax rates, this would have meant a 4 per cent deal. The LO has been seeking a wage rise of 7 to 8 per cent

39,332 54,540 85,502 7,962 14,345 29,819

38,558

72,893 41,110

8,363 14,174 17,363

29.834

across the board.

**WORLD ECONOMIC INDICATORS** 

FOREIGN EXCHANGE RESERVES (US\$m)

17,997 41,063 56,332 89,964 8,369 15,225

17,363 41,116

53,315 90,514

8,306 14,542 32,501

### Shamir sees no need to hurry peace plans By Andrew Whitley in Jerusalem

TIME is working in Israel's favour and there is no need to favour and there is no need to rush into preparing peace plans, Mr Yitzhak Shamir, the Prime Minister, said yesterday. According to the state radio, Mr Shamir assured his col-leagues in the coalition cabinet that Palestinians in the occu-pied territories. Page 111/119 pied territories were pushing the Palestine Liberation Organisation in the direction of Israel's declared positions on

peace negotiations.

As he spoke, troops in the
West Bank city of Nahins were West Bank city of Nahius were responding to the killing hy Palestinians of a 25-year-old reserve paratrooper on Friday. At least 150 residents of the city's cashah district, where the incident took place, have already been detained.

Viciting the scene 14 Gen

Visiting the scene, Lt Gen Dan Shomron, the army's chief of staff, warned local residents they would pay a high price for the death of Sgt Binyamin Meisner, the fifth Israeli sol-dier to die in the occupied territories since the uprising

began. Ha refused to specify what steps might be taken.
In the Gaza Strip, troops yesterday shot dead a 20-year-old demonstrator in Gaza City. His death brought the Palestinian toll ever the past 15 months to nearly 400. Scattered clashes also took place in the occurred also took place in the occupied territories on Saturday, In one

incident, a six-year-old girl was left in critical condition after being shot in the head.

in a worrying new develop-ment for Gazans over the weekend, unknown gunmen attacked two Palestinian hospital workers accused of being

collaborators. A seven-year border dispute between Jerusalem and Cairo was resolved yesterday, when the Israeli Cablnet approved the terms of the handover of

the Taba enclave to Egypt.
Agreement was recently reached wherehy Egyptian interests will pay \$27m

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By Nancy Dunne in Washington and Peter Riddell in Peking

MR JOHN TOWER, the beleaguered nominee for the US defence secretaryship, took a televised pledge to abstain from alcohol consumption during his tenure of office.
This was in the hope of

reversing the rejection of his nomantion last Thursday by the Senate Armed Services Committee and winning the approval of the full Senate, in a vote expected towards the end of the week.

He read a letter from his doctor which concluded there was no physical evidence that the

sees no no

former senator had ever been an alcoholic or dependent on alcohol.
"Twelve years ago I gave up spirits," he said. "I haven't tasted Scotch in 12 years." He said he drank wine only with

meals, but he occasionally had martinis and vodka. The high-profile strategy for winning Senate approval was plotted nearly 9,000 miles away by President George Bush and his senior advisers between meetings with Chinese leaders. They see the issue as an impor-tant test for Mr Bush early in

his presidency.

The advisers' strategy is to try to turn public opinion by arguing that none of the allegations against Mr Tower has been substantiated. They hope a shift in public mood will influence wavering Democratic

senators.

The president has talked to several senators from the Far East and is due to meet a dozen senators in Washington tomorrow after his return from the Far East.

An ABC poil found 10 Demo-crats and three Republicans still undecided about their votes. Even if the president can keep all 45 Republican sen-ators in line, he must attract the support of five Democrats to achieve a tie, which could be broken by Vice-President Dan Opeyle

Quayle. Also on television yesterday, Senator Sam Nunn, influential chairman of the Armed Services Committee, threatened to reopen confirmation hearings and to subpoena witnesses to Mr Tower's alleged drinking habits. He also raised new concerns about Mr Tower's behaviour as a senator and a defence industry consultant.

### Sudan alert on eve of generals' deadline

THOUSANDS of troops were on combat alert in Khartoum, Sudan's capital, yesterday on the eve of a deadline for political reforms ordered by rebellious generals, diplomats said, Renter reports from Khartoum.

Last Monday the army gave Prime Minister Sadeg al-Mahdi a week to meet their demands, including the formation of a

including the formation of a broad-based "government of pational salvation". national salvation".

Western diplomats and military experts said they thought airborne and armoured brigade soldiers were among about 5,000 troops on combat readiness in Khartoum.

"The plan is for all units in the capital [about 10,000 men] to go on full alert as the deadline comes near on Monday," said one expert.

said one expert.

Mr al-Mahdi, in reply to the army ultimatum, has warned the military against attempting a coup.

The military in Sudan has seized power three times since

independence in 1956.
The ultimatum, dated February 20, complained that the army was poorly equipped and did not receive enough support from the government. The generals also said the Government should have a broader base.

### Central America seeks to turn dream of a common market into reality

The region is looking to Europe for help, writes Tim Coone

T was 20 years ago, in June 1969, that the out-break of the so-called "football war between Honduras and El Salvador put an early end to the Central American Common Market, set up under the Alliance for Progress which President John Kennedy of the US had inspired. Trade imbalances and industrial rivairies, rather than football, were the real motives for that brief hut hitter war, which ended trade between Honduras and El Salvador for many

years.
Since then, the Sandinista revolution in Nicaragua, guerrilla wars in El Salvador and Gnatemala, and the war between the Sandinistas and Handing hard. Control mandel. Honduras-based Contra rebels, combined with a foreign exchange crisis throughout the region, bave left the market integration proposal a mori-band dream.

Over the next two days, how ever, the new regional peace plans, the revival of the CACM and solid finance to back it will be the principal topics of dis-cussion at a highly significant meeting being held at the industrial city of San Pedro Sula in the north of

Honduras.
The flith European Community-Central America ministe-

rial meeting, otherwise known as San José V, (the first was in San José, Costa Rica, in 1984) is bringing together the foreign ministers or their deputies from the 12 EC countries and counterparts from the six main countries on the ist main countries and the ist main countries on the ist main countries and the

the El Salvador summit, with the Bush administration still without a policy on Central America, San Jose V will prove countries on the isthmus, including Panama which wants to be the most substantive of the five EC-Central America to join the CACM. Ministers from the eight-nation Latin American Contadora Support ministerial meetings so far. The US policy vacuum in the

Group are also attending. Their deliberations are expecregion has allowed the Central Americans, with the support of Having failed to stimulate peace and prosperity

in Central America, the Americans may be obliged to give the Europeans a greater say

ted to produce two important According to members of the

the documents, the EC can be expected to give firm and unequivocal backing to the decisions taken at the recent El Salvador presidential summit, at which solid and unanimous proposals were made to end the war in Nicaragua.

The EC is also expected to make a financial commitment

of about Ecu 115m (£74.8m) to support development projects and to increase substantially the capital of the Central American Bank of Economic

the Europeans, to seize the ini-tiative. One European diplomat said: "The best thing the Bush administration can do now is to continue as it is doing - to take a back seat and give diplomacy a chance to resolve the region's crisis."

Over the past 10 years, the EC has provided the Central America countries with about Ecu 350m in aid, in addition to the bilateral aid provided by member countries. According to an EC diplomat in Hondu ras, Community aid to Central America has grown from Ecu 40m in 1984 to more than Ecu

This remains small alongside the estimated \$800m to \$900m in US economic aid to the region last year, most of which was channelled to El Salvador and Honduras, but it represents a significant upward trend and is expected to be reinforced today and tomorrow in San Bedon Sula

in San Pedro Sula. Central America's economic crisis is such that no offer of economic aid can now he ignored by any of the region's leaders. The Europeans are sure to emphasise, however, that peace there is the pre-condition for higher dishursements of aid now under discussions when the conditions are the conditions of the sion, such as the \$4.4bn economic cooperation plan for Central America, proposed by the UN General Assembly last May and to which the EC can be expected to be an important contributor.

If the EC throws its weight behind the Central American peace plan with the promise of more aid, the US will be left with little option but to follow suit eventually. The US, having failed to stimulate peace or prosperity in the region during the last 10 years, and seeing its prestige suffer, may be obliged now to give the Europeans a greater say in what it has con-sidered its own backyard for

### **Mandelas** meet after murder charges

MRS Winnie Mandela, the South African anti-apartheid activist at the bub of a scandal over murder charges linked to her squad of private bodyguards, spent more than three hours with her husband Nel

son in prison yesterday, Renter reports from Cape Town. Three of her hodyguards have been charged with mur-der of a boy activist. Stompie Moeketsi, who was buried on Saturday. She has not been charged, but police have raided her home in the black town-ship of Soweto.

A grim-looking Mrs Mandela refused to talk to reporters after the visit to the Victor Verster prison at Paarl, near Cape Town, where Mr Mandela lives in a warden's villa.

lt was her second visit this month and probably one of the longest since he was jailed in 1962. Mr Mandela is known to be much disturbed about the way the scandal is harming the anti-apartheid cause.

Representatives of two big South African anti-apartheid groups – the United Demo-cratic Front (UDF) and the Congress of South African Trade Unions (COSATU) arrived in Zamhia yesterday for talks on the matter with the African National Congress.

### Bush admits to difference of opinion with Greenspan

NOTICE'

to the holders of the

£250,000,000 FLOATING RATE NOTES 2000

(the "Original Notes")

£200,000,000 FLOATING RATE NOTES 1993

ABBEY NATIONAL BUILDING SOCIETY (the "Society")

constituted by Trust Deads (the "Trust Deads"), of which the principal is deted 15 October, 1985, all made between the Society and The Law Deberture Trust Corporation p.Lc. (the "Trustee") as Trustee for the holders of the Original Notes and the First 1993 Notes (the "Original

s" and the "First 1993 Noteholders" respectively, and to

NOTICE IS HEREBY GIVEN TO THE NOTEHOLDERS

(i) in order to remove any possible doubt as to whether implementation of the proposed transfer of the business of the Society to a successor pursuant to Section 97 of the Building Societies Act 1986 ("Section 97") would be permitted under the provisions of the Original Notes or the First 1993 Notes and to provide appropriate protection for the Noteholders, the Society and the Trustee and their respective financial and legal advisors have formulated modifications to the provisions of the Trust Deeds; and

in the following is a summary of such modifications, which are contained in the Thirteenth Supplemental Trust Deed detad 24 February, 1989 made between the Society and the Trustee.

(a) the provisions of Conditions 5(c) Redemption at the Option of the Instein and 7 (Events of Default) of both the Option of the Issuer) and 7 (Events of Default) of both the Original Notes and the First 1993 Notes have been modified so that so option for the Society to redeem the Original Notes or the First 1993 Notes and no event of default or potential event of default will arise by reason only of the implementation of a transfer of the business of the Society to e successor pursuant to Section 97;

In the event of such a transfer being implemented the Note-holders will have rights, on giving not more than 60 nor less than 30 days' prior notice to a Paying Agent, to require the successor of the Society to redeem their Notes at per on either of the first two interest Payment Detes falling not less than 80 days after

Noteholders will be given not less than 60 days' formal notice by the successor of the Society in accordance with Condition 14 of the Original Notes and the First 1983 Notes of

the Society has agreed to indemnify Noteholders and other persons having a beneficial interest in Original Notes or First. 1993 Notes, in each case as at the date of publication of this notice, against certain adverse tex consequences which might result from the above modifications and/or to the extent set out

in the said Thirteenth Supplemental Trust Deed) the red of such Notes or any payment of interest thereon.

Details of those of the Terms and Conditions of both series of such Notes as have been so modified will be available in the statistical services of Extel Financial Limited on and efter 23 March, 1989. Any Noteholder who wishes

to inspect copies of the Trust Deeds or the said Thirteenth Sup Trust Deed containing such modifications or (on end after 23 March, 1989) to obtain a copy of the said details may do so at the specified offices of the

....of .....

(the "First 1993 Notes")

By Peter Riddell, US Editor in Peking

PRESIDENT George Bush of the US has admitted he is not policy outlook with Mr Greenin "total agreement" with Mr span last Tuesday. Alan Greenspan, chairman of the US Federal Reserve, about the seriousness of current inflation trends, adding that he is not happy about the latest rise in interest rates.

Mr Bush's comments, made during his present trip to the Far East, are his first since Mr Greenspan underlined last Wednesday his willingness to tighten monetary policy to counter inflation. On Friday, the Fed increased the discount

Mr Bush sald that, in spite of the latest official figures, he was not "overly concerned" about inflation. He also said he

span last Tuesday. Admitting that higher interest rates were not helpful in deficit reduction, Mr Bush attempted to use the latest increase to argue "even more forcefully that we need an agreement on the Budget".

Reuter reports from Wash-ington: Mr Richard Darman, Budget Director, said in a television interview on Saturday he disagreed with Mr Green-span on the threat of inflation. He said he believed the economy would grow more rapidly than Mr Greenspan expected, and did not think a policy based only on tighter money



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### US fears 'special interests' in EC after 1992

By Nancy Dunne in Washington

MR ROBERT Mossbacher, US Commerce Secretary, fears that narrow national interests" in the European Community might delay the liberalisation of European markets after 1992, and that "special inter-ests" would seek to deny its benefits to non-EC countries.

At a conference in Washington on Friday, he said US government analysts had concluded that, for the most part, market integration would benefit US companies.

However, they were con-cerned that implementation of the directives being formulated would work to the disadvantage of US companies. The analysts were particu-larly concerned that regional

standards would favour European producers.
Mr Mossbacher has asked for a US seat at the EC bargaining table, "at least as an observer", to keep an eye on develop-ments. The current process "does not provide adequate

meaningful comments," be "While I do not foresee a fortress Europe', it would be naive to believe that there will not be a few strongbolds here

transparency or the opportunity for US firms to provide

and there," he added.

He asked for "a meaningful exchange of information," say-ing that US companies cannot

### SHIPPING REPORT

### Tokyo funeral hits trade

THE OWNERS of white oil

tonnage in the Far East experienced very slow trading last week, partly because of the closure of the Japanese markets for the funeral of Emperor Hirohito.

The trading was furtber slowed by the numerous ves-sels available in the area which had arrived from

The black oil market showed signs of improvement only in West Africa, where the number of charterers raised Worldscale rates. The tanker market was

wait "until the regulations are cast in concrete before we dis-

cuss our concerns." The Secretary said the US would not accept any EC concept of reciprocity which "violates principles of national treatment and non-discrimina-

His concerns were echoed by Senator Max Baucus, a Mon-Democrat, who tana denounced the EC application of "reciprocity" to financial services as "discrimination, pure and simple," which would make US banks and finance companies "second class opera-

tors" in Europe.
"There are rumours coming out of Europe that reciprocity could also be applied to other sectors," the Senator said. "If reciprocity becomes a code word for protectionism, wa could have a very serious prob-

lem on our hand Ms Rosanne Ridgway, Assistant Secretary of State for European and Canadian Affairs, said that she foresaw protectionist pressures on a future European defence indus-

However, it would be a contradiction to tell Europe to help provide for its own defence and then to say, "we're terribly sorry — what we meant was that you should road as a choose and have send ns a cheque and huy American."

especially weak in the Gulf last week, shiphrokers Galbraith's reported. Many of the vessels in the area were being fixed only for sbort voyages to the Red Sea and the Far East. This was depressing the market, compared to this time last year. when many large crude carri-

ers went via the Cape to Europe or the US. In contrast, business con-cluded in the western hemisphere, especially from the Mediterranean loading termi-nals, was profitable for owners.

### Kosovo pit strikers seek pledge on demands

ETHNIC Albanian miners in Kosovo province who bave pushed the region to the brink of emergency rule refused yesterday to end their week-long underground strike, Taning news agency said, Renter reports from Pristina.

It said the L300 zinc miners refused to leave their pit until they received written guarantees that their demands hed

Earlier, the way appeared clear for an immediate end to the strike. The Yugoslavian news agency had quoted Mr Rahman Morina, the Kosovo Communist Party chief, as say-ing he expected the 1,300 zinc miners in Mitrovica, 180 km (110 miles) south of Belgrade, to end their political protest yesterday.

"We expect them to come ont of the pits." Mr Morina said. He did not say what agreement had been reached with the miners, who have remained 1,000 metres (3,300 feet) underground since last

They triggered a general strike in Kosovo, an autonomous province of Yugoslavia's higgest republic. Serbia, and prompted Belgrade to send in

paramilitary police.
The collective State Presidency, Yugoslavia's highest constitutional body, ordered the security clampdown on Saturday to prevent any new outhreak of ethnic Alhanian unrest over Serhian attempts to take control of the province. Tensions between Kosovo's 1.7m Alhanians and 200,000 Serbs and Montenegrins spilled over into bloody riots in 1981.

Police sources in the Kosovo capital of Pristina, 200 km south of Belgrade, said police had been ordered to prepare for possible action.

On Saturday, police and troops guarded public build-ings after witnesses reported seeing tanks and armoured personnel carriers. Political analysts said the province hordering Albania was close to a state of emergency.
President Raif Dizdarevic on

Thursday warned the miners that "all legal and constitutional means" would be used to prevent turmoil, a threat to use emergency measures and

# Car makers dispute local content

Kevin Done on the troubles following Japanese moves into European production

XECUTIVES of Toyota. Japan's leading car maker, continue their search this week for a suitable site in the UK for the company's first European car assem-bly plant. The search comes as European governments and the European Community's traditional car producers are in disarray about how best to cope with this latest threat to the established order.

At the heart of the confusion lies the thorny issue of local content and how best to ensure that Japanese assembly plants are more than just screwdriver operations. For the indigenous European car makers the idea of a strict regime on local con-tent is appealing as a way to make Japanese assembly in Europe as costly as possible.

European car makers argue that, if the so-called Japanese "transplant" assembly operations cannot be kept out, they should have at least a European cost base imposed on them to ensure adequate benefits for the European economy in terms of employment, component purchasing and the transfer of technological know-

ledge. To that extent, most car makers and EC member states are in agreement. However, there is a wide divergence of views on how to measure local content, on what local content requirement levels should be set (60, 80 or 90 per cent have all been suggested), and on whether to make special demands for the local manufacturing of key nohle components, such as engines, trans-missions or high-value electronic components.

Sensitivity, not least in Paris, towards the penetration of the French market by Japanese cars built in the EC was demonstrated late last year, when a trade row blew np between France and the UK over access to the French market for Nissan's UK-built Blne-

bird cars.

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France decided to re-write the EC rule-book and declared unilaterally that the Bluebirds shipped from Nissan's plant at Sunderland in north-east England would he treated as Japanese imports - therefore subject to the French import quota - until they had 80 per cent local content, It was never specified how the 80 per cent-was to be calculated. The UK Government's cham-pioning of the Nissan cause was well calculated to appeal to Toyota as it hunted for a warm welcome on European

The UK appears to have won its fight but has been keeping a low profile to avoid further controversy. In mid-January, however, Mr Alan Clark, a Trade Minister, said in a written parliamentary answer that the Commission had ruled that, "in the present state of Community law, there would be no justification, as far as the free circulation of goods is con-cerned, for treating Nissan UK production differently from other cars produced in the Community

have a local EC content of about 70 per cent, due to be raised to 80 per cent in 1990. There are no specific regula-tions in the EC as to local content levels. Community rules state only that, for an item to qualify as an EC product, its "last substantial manufacturing operation" must have been performed in the EC.

Nissan's UK-built Bluebirds

n the absence of EC guidelines, most practical work on local content has been carried out in the UK. This is no surprise because the UK has been the recipient of the lion's share of the first wave of Japanese auto industry investment. This has taken the shape of ventures hy Nissan and Honda (a production agree-ment with Rover Group) in cars, and by Isuzu and Suzuki, in a venture with General Motors of the US, in light com-

In all these cases the British Government has reached agreements that stipulate the vehicles shall first be considered as UK-built, and therefore qualify for free access to EC markets under current rules, when they reach 60 per cent local content, but that the local content must be raised to 80 per cent within a transition:

period of two to three years. (in the recent dispute with France it was widely, but mis-takenly, believed that the UK was supporting a modest 60 per cent local content level in opposition to French demands for 80 per cent. In fact, the UK insists on a level of 80 per cent local content but allows manufacturers to hulld up to this

level over a transition period.) Until last week, it appeared that a consensus had emerged around the 80 per cent figure, but the threat of the Toyota plant has clearly led to a further hardening of attitudes in

According to Mr Jacques Calvet, the powerful chief executive of Peugeot, "fixing the local content of a Japanese car made in Europe at 80 per cent is not enough. The level should be much closer to 100 per cent than 80."

There is much at stake. As a recent report\* from the UK-based Motor Industry Research Unit points out, "a low figure



could result in over-capacity, a plethora of Japanese compo-nents transplants and the cen-tralisation of research and development facilities in Japan. A complete lack of local content regulations could result in disaster for the domestic economy. The imposi-tion of a high local content figure may result in discouraging

investment altogether."

While the level of content remains a matter of contention, so does the method of calculation.

Mr Cesare Romiti, managing director of Fiat, the Italian automotive group, inflamed the UK-French row over the Nissan cars by claiming that the actual EC content of the car was substantially lower than the 70 per cent level stated jointly by the UK Gov-ernment and Nissan.

Mr Romiti told the Financial Times: "We have bought a Brit-ish-built Nissan and have dismantled it piece by piece." He claimed that only 21 per cent of the car was definitely of EC origin. The Japanese content was still as high as 46 per cent, while Fiat had been unable to identify the origin of 33 per cent of the car.

The Fiat and UK figures are based on quite different meth-

ods of calculating local con-

The UK method is a "valuehased" system which takes the ex-works price of the car and subtracts the value of the non-EC components.

The Flat method is a "costbased" system, which seeks to take into account the full cost of production of the car, mea-suring the cost of each component and including all overheads and design and engineering costs. (Flat is also keen that any local content formula should specifically include local sources of high-technology; items including engines and transmissions.)

It is far from clear that the UK regime would satisfy the hardiners in the Community, but it is the framework that Lord Young, UK Secretary for Trade and industry, has indi-cated will be negotiated with

The hig attraction of the UK local content regime is that it is simple to operate and simple to police. Mr Ian Gibson, dep-uty managing director of Nissan Motor Manufacturing UK, Nissan's Sunderland-based car assembly operation, says the UK Government chose a val-ue-based, rather than a costbased, rather than a cost-based, system because the components in the formula could easily be audited by gov-ernment agencies.

The value of the non-EC imported components is moni-

tored by the Customs and Excise authorities, while the ex-works value can be moni-tored by the Inland Revenue through the company's accounts and tax returns.

r Gibson says: "It pro-vides controls cheat, it could increase the local content by reducing the price of the Japanese compo-nents. That is not possible because the Customs and Excise values each component imported.
"We declare values for each

part shipped and the Customs and Excise audits this. It has the same pricing information from Honda, Ford and Peugeot. It would be obvious if Nissan only charged for a crankshaft half what Honda charges Austin Rover."

The UK Government insists that at 80 per cent - on its formula - the investor is

allowed "a reasonable commer-cial freedom", but at the same time he or she must create "a substantial manufacturing presence that is in no way a

screwdriver operation".
It has calculated that, to meet 80 per cent, it is neces-sary for a vehicle maker to have the full assembly plant operations of press shop, body assembly, paint shop and final assembly, as well local sources

of engine or transmission. The UK andit formula for Nissan takes the company'a average performance over a 12-month period. It breaks this down on a month-by-month basis, and model by model. Given the disparity in car prices in Europe, the ex-works price is calculated market by

market. Other ways to measure local content are in use around the world. In South Africa, for example, local content is measured by weight, a crude mea-surement clearly excluding the vital technology content and

value of a component. For the long term, Mr Gibson agrees that the origins of the sophisticated electronics systems, such as anti-lock hraking and engine management systems, are among the most crucial items.

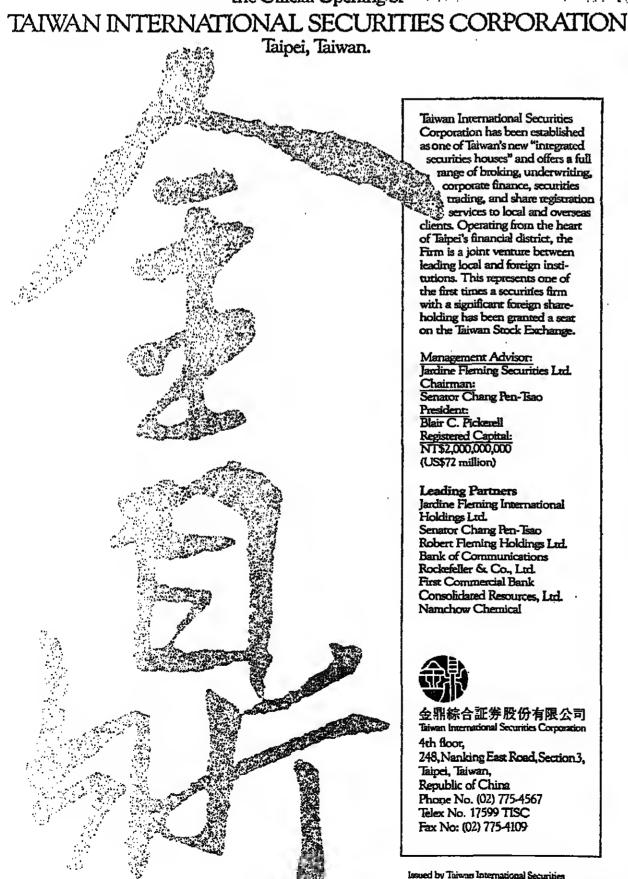
He says that, as Nissan develops its UK assembly operations and moves from 70 per cent to 80 per cent local content, both its hraking and engine management systems will be bought in Europe. Suspension systems will be European. Engines will be assem-hled in Britain, increasingly from EC components, and Nissan will machine some parts itself. However, Nissan will continue to take the engine block as a rough casting from

The only major vehicle system that will continue to be imported from Japan is the transmission. Nissan has no plans to make this in Europe. The local content issue is complex, but must be resolved before the EC can implement a comprehensive external trade policy for Europe's biggest industry, which is approaching the single European market in a state of confusion.

\*Automotive Trade Restrictions in Western Europe: Motor Industry Research Unit, 2 Dove Street, Normich, NR2 1DE.

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by Daniel O'Shea

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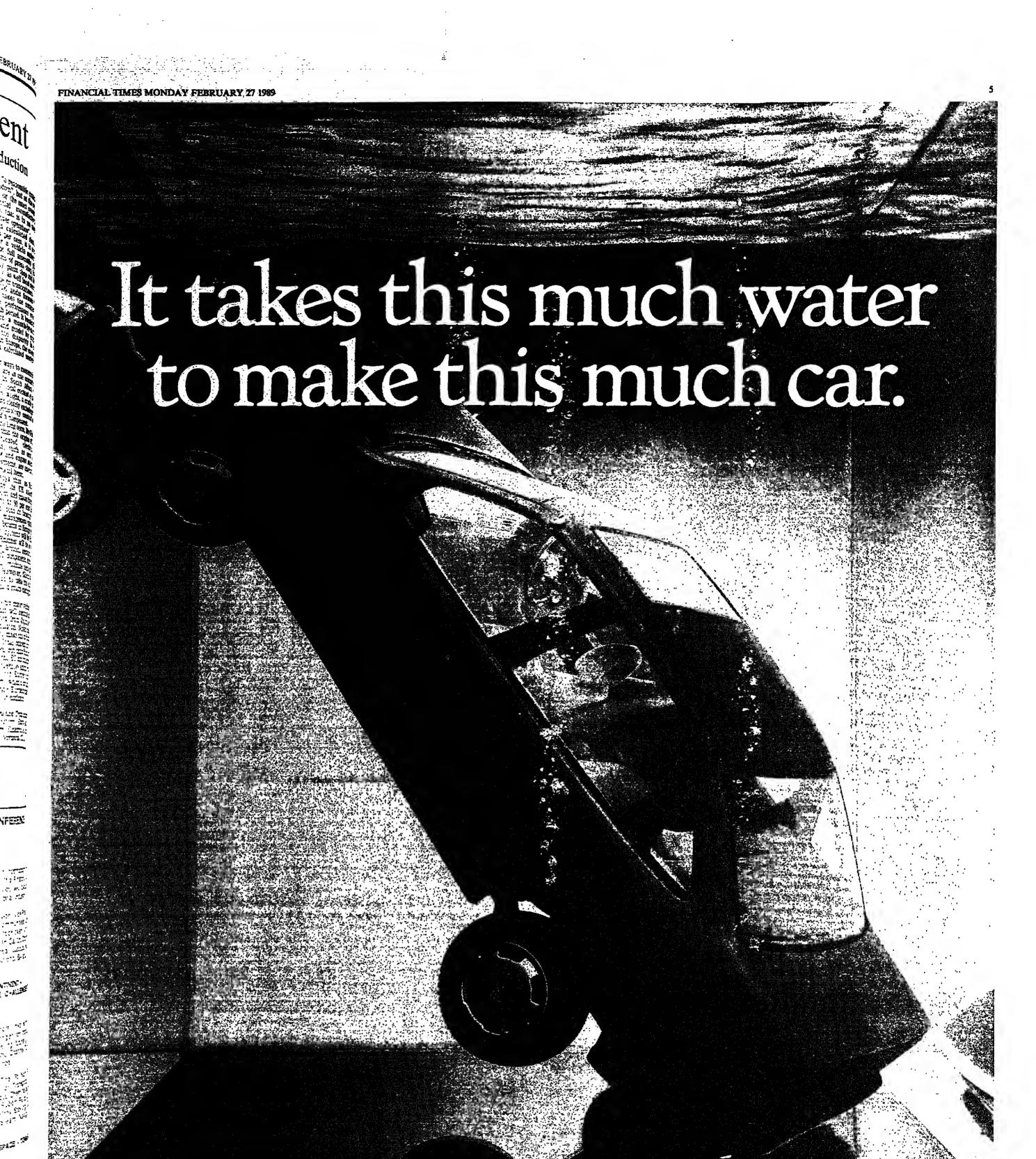
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One day, there'll be a car that runs on water. In the meantime, here's one that's made using water.

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It's not unique though. All cars are made this way. Or rather, all car manufacturers use copious amounts of water to make cars.

From the water used to cool the welding

machinery, to water-based paints to paint them.

Plastic, rubber, carpet, cloth, glass, wire, all need water in the making.

At the end of the production line, the whole car is bathed in water.

A simple enough check to see that the car doesn't take in any unnecessary water later in its life. It's not just cars that use a lot of water in their manufacturing process. Most things that are made are made with water.

Either to cool, dilute or wash. It's a vital industrial component.

And it's on tap at the factory. Which will be very handy for filling up the first water-powered car.

The 10 Water and Sewage Businesses of England and Wales.

# and environmental issues

By Stefan Wagstyl in Tokyo

ENVIRONMENTAL and debt-related issues will be high oo the agenda for the first time at an economic summit when leaders of the G7 group of seven leading industrialised countries meet in Paris this

President François Mitterrand of France. host of the summit, wants the agenda to go beyood traditional topics such as macro-economic policy and exchange rates, to include debt and economic develop-ment in the Third World and global eovironmental issues.

Mr Mitterrand on Saturday secured Japanese support for his proposals at a meeting with Mr Noboru Takeshita, the Jap-anese Prime Minister. Mr Mitterrand was in Tokyo for the

funeral of Emperor Hirohito. The problems of Third World debt and development have figured prominently at previous summit meetings, even though they have ofteo beeo overshadowed by discussions on eco-

### US group raises \$19m for Taiwan hi-tech project

By Louise Kehoe in San Francisco

HAMBRECHT and Quist, the Sen Francisco investment banking and venture capital firm, has raised a \$19m (£10.8m) venture capital fund in Taiwen for investment in high-technology veotures both in Taiwan and elsewhere.

The fund is the second raised by H&Q Taiwan, e subsidiary of Hembrecht and Quist. reflecting the fast growth of US-style venture capital invest-ment on the Pecific rim. Venture capital is playing a

ment," said Dr Ta-lin Hsu, managing director of H&Q's Asia Pacific department. "It is becoming an important source of funding for entrepreneurs looking for alternatives to traditiooal bank funding to finance their companies."

H&Q Taiwan serves as the investment manager of Han-Tech Venture Capital, a \$30m venture fund organised in 1986, the first in Taiwan to emphasise high-technology investnomic policy co-ordination among the leading industrial countries. Environmental issues bave not in the past been high on the summit agenda, but growing concern about the impact of industrial development on the environment has moved closer to the middle of the political stage in

many countries. According to Japanese offi-cials, Mr Mitterrand told Mr Takeshita that the spread of deserts and the destruction of rain forests in the Amazon were issues which required "solution on a global scale".

The meeting hetween the

two leaders was one of many held in Tokyo since the middle of last week, when representa-tives of 163 countries started gethering for the emperor's funeral. Among the most sub-stantial results of this "funeral diplomacy" was an agreement by Chine and Indonesia to

recognise each other.

Japanese commentators said

many of the meetings involved Third World countries asking Jepan for aid. In five days it was deluged with aid requests from Third World leaders visit-

ing Tokyo for the funeral.
in marathon meetings, Mr Takeshita and his Foreign Minister, Mr Sosuke Uno, were generally positive in their replies to the requests without being specific, the Foreign Min-

Reuter reports from Washington: The US has told other ricb countries that it is not ready to proceed with talks on replenishing funds for the International Development Association (IDA), the World Bank's soft-loan affiliate, mon-

etary sources said, US officials told a gathering of IDA deputies that they could not continue the replenishment talks for now because the Treasury was preoccupied with its review of third-world debt

### LDP pulls out of key poll over Recruit scandal

By Stefan Wagstyl in Tokyo

JAPAN'S ruling Liheral Democratic Party has pulled out of a key provincial election rather than risk defeat because of public concern over controversial tax reforms and the Recruit financial scandal.

The decision is the most dramatic evidence so far of the political damage the LDP has suffered as a result of the Recruit affair.

While the position of Mr Noboru Takeshita, the Prime Minister, is in no immediate danger, the scandal is severely limiting his room for manoeuvre, especially in introducing necessary, but unpopular, mea-sures such as the tax reform due to come into effect in

The party's decision to with-draw from the forthcoming election for the governorship of Miyagi Prefecture, in northern Japen, leaves a Socialist-backed and a Communistbacked candidate free to fight it out in what has long been an LDP stronghold. The vote is to

LDP leaders faced problems two weeks ago, when Mr Kazuo Aichi, the party's original candidate in the Miyagi election, decided to quit the race. Mr Aichi, a member of the lower house of the Diet (Parliament), withdrew after admitting receiving political donations from Recruit. While not illegal, these ties dimmed his chances of victory. Mr Hiroshi Mitsuzuka, Min-

ister for International Trade and Industry and the LDP's top man in Miyagi, desperately tried to find another candidate. His failure to do so was widely seen as evidence of dis-array in the LDP. But the party's Diet majority is so large that the position of the govern-ment itself is not in danger.

The scandal broke last summer when it emerged that Recruit, a business information company, had distributed shares on favourable terms in Recruit Cosmos, a property subsidiary, to leading politi-cians, businessmen and burea-

### top of Roh agenda for Bush

By Maggie Ford in Secul

PRESIDENT Roh Tae Woo of South Korea has moved rela-tions between the two Koreas and Seoul's opening towards the eastern bloc to the top of the agenda for his talks today with President George Bush of the US.

The new US leader will spend six hours in Seoul, addressing the national assembly and meeting US residents, including members of the milttary, after his talks with Mr Roh. Student and dissident groups

have announced rallies to coincide with the visit, but the Seoul government is likely to deploy thousands of riot police to deter the demonstrators.

President Roh is expected to discuss the rise in anti-Ameri-

canism in South Korea with his US counterpart.
Seoul is already negotiating with the US military on the removal of an army base in the centre of Seoul and the revision of an agreement on the treatment of offenders by mili-

tary personnel.
US diplomats have indicated that Mr Bush will reaffirm the commitment by Washington to defend South Korea as long as Seoul requests help. The US has 43,000 troops on the penin-

However, Washington has supported Seoul's northern pol-icy, designed to open relations with China, the Soviet Union

and other eastern bloc states, including North Korea.

Mr Bush said in Peking at the weekend that the prospective thaw between China and the Soviet Union was likely to help maintain stability in

Korea.

He welcomed the initiative by Mr Roh last year for a six-country conference on the two Koreas - including the US, the Soviet Union, China and Japan - adding that such a conference would require careful preparation and a co-operative attitude,

In his speech to parliament, the US president is expected to praise South Korea's move towards democracy and to touch on the trade dispute which bedevils bilateral rela-

# G7 leaders to discuss debt Two Koreas Gandhi's moment for steel nerves

David Housego on the Indian economy before Delhi's budget

OR any developing path, with real GDP now expanding at an average of 5 to economy to increased 6 per cent, compared to just competition and a freer flow of over 3 per cent in the 1980s. imports, there comes a moment that requires nerves of steel

The Government of India's Economic Survey, published over the weekend as a prelude to the budget, due tomorrow. shows that the administration of Mr Rajiv Gandhi is at that moment

The survey, written by the liberal economists who dominate economic policy-making, is thick with warnings to their political masters on the need to curb continuing large hudget deficits because of the dangers for inflation, the balance of payments and the overall cost competitiveness of the econ-

For Mr Gandhi, the Prime Minister, who initiated the cur-rent liberalisation programme but will face a difficult general election this year, the political pressures now point towards more populist measures. His first hudget in 1985 was clearly directed at the middle

class. He now needs to bolster his support among the poor and jobless who represent the bulk of the voters. Congress Party leaders have been urging rarty issuests have over triging on him a poverty alleviation programma (new job-creation echemes, free children's lunches and subsidised saris for women) that would give the party a more leftward-looking

In practice, Mr Gandhi cannot go too far in increasing expenditure without damaging his own electoral chances through further increases in prices. The main question behind the budget concerns where he will draw the line and what the compromise will mean in terms of the colours in which he presents himself at the polls.

A pre-election economic survey must contain a good deal of propaganda on the govern-ment's behalf. However, it also shows - via some reading between the lines - the strengths and shortcomings of the Indian economy after five years of Mr Gandhi at the helm.

The most striking feature is that India seems to have moved to a higher growth

expanding at an average of 5 to 6 per cent, compared to just over 3 per cent in the 1960s. The economy is expected to grow at a record 9 per cent this

year on the back of an excep-

The other factor enhancing economic growth is the expansion of the service sector. This includes an increase in the number of bureaucrats, but also reflects the growth of the middle class market and the



1977/8 .. 80/1-82/3 84/5 86/7 88/9 1979/80 82/3 84/5 86/7 HE TO Jan Almost more important in terms of underlying economic

terms of underlying economic resilience is the growth of 3.6. per cent last year, despite a severe drought.

The main factor contributing to this increased growth is a higher level of manufacturing output. Industry is resping the benefits of a greater freedom to expand capacity, to import foreign technology, to restructure through mergers and take-overs, as well as from the stimulus of increased domestic competition.

Bottlenecks of shortages of power or raw materials are diminishing Industrial output has grown in real terms by an annual average 3.6 per cent over the last five years, or dou-bla the rate of the previous five. The potential exists for an even higher growth of indus-trial output, as consumer industries are discovering, because of India's middle class domestic market of 100m people, which continues to expand

industry is also discovering the possibilities of raising cheaper finance by tapping popular savings through the capital markets. New capital issues are running at a record

absorption of a vast amount of black" money into the econ-

By contrast with this picture of a more dynamic private sec-tor, Mr Gaudhi has let the gov-ernment's finances slide towards bankruptcy. Measured by normal international criterie (not the ones used by the Economic Survey), the govern-ment deficit has averaged 8 to 9 per cent of GDP over the last four years — high even hy Latin Amarican standards. Interest payments on outstanding debt, subsidies and defence account for 74 per cent of revenue receipts.

The survey warns of the dan-gers of this for excessive mone-tary growth and hence inflation, and that high "fiscal deficits will spill over and con-tribute to high current account deficits in the balance of pay-

Tougher warnings have been issued recently by the Reserve Bank of India (central bank) and the World Bank. A committee of senior officials went further last year and spoke of the risks of "fiscal collapse" (the equivalent of bankruptcy) by the mid-1990s:

Out the billogs of revenues.

On the balance of payments side, the most striking evidence of the worsening of the

trade and current accounts is that the foreign exchange reserves fell by 17.2bn rupees (£844m) in the first 10 months of the current financial year the greatest drop for any year in this decade. The sharp depreciation of the rupee has

depreciation of the rupee has helped push up exports by 24.4 per cent in the first nine months of the current year, but it did not prevent a 27.4 per cent climb in imports.

The \$470m (£261m) paid by Union Carbide of the US at the weekend, in compensation to the victims of the Bhopal gas tragedy, will help greatly to cushion the forcign exchange reserves. Even so, they remain highly vulnerable to movements of short-term funds held at the Reserve Bank by Indians at the Reserve Bank by Indians

abroad.

Economic logic alone would suggest a tough budget tomorrow to curb deficits and squeeze inflation. The prime minister's advisers talk, bowever, of the need to "accompany growth by social justice."

One of the coets of Mr. One of the coets of Mr Gandhi'e more liberal eco-nomic policiee has heen e sharp increase in disparities of wealth, and of the casts rings.
The advisers say there will be no reversal of the ilberal momentum, but the survey reflects some wobbling at the

The authors rule out a return to widespread "discretionary physical controls" on imports but they him at the possibility of restrictions on imported components for the automobile and consumer electronics industries.

They point to a doubling of anthorised foreign borrowing last year but express their con-cern at the growing foreign debt service burden. The survey puts this at 24 per cent of current receipts; the World Bank makes it closer to 30 per

One positive feature of the government's budget difficul-ties is that public-sector compenies are being forced to cut their losses through improve-ments in productivity or by raising prices.

The squeeze on resources also means that the private sector is moving into areas

### HK draft Basic Law released today

By Michael Marray in Hong Kong

HONG KONG'S draft Basic being launched to encourage Law will be released here today, marking the start of a consultation during which the public has its last chance to influence the mini-constitution by which the colony will be

ruled after sovereignty has reverted to China in 1997. Banks throughout the territory are distribution centres for an initial print run of pated, so as to give the com-250,000 copies of the document, mittee sufficient time to com-and an advertising campaign is plete its report due by sary, changes will be made,"

participation in the consulta-

Mr C. Y. Leung, Secretary-General of the Consultative Committee for the Basic Law, said that submissions for inclusion in the committee's report would be accepted up to the end of June. This is a month earlier than first antici-

mid-August.

A previous consultation period yielded significant amendments, included in the draft to be released, and Mr Leung stressed that substantial changes are still possible as a result of the final consultation. "It has been made very clear by the standing committee of the National People's Congress

he said. The area likely to arouse most interest relates to the post-1997 political structure, and the method of select-ing the chief executive and forming the legislature.

In the first round of consultation, almost 1m copies of a rough draft Basic Law were distributed in Hong Kong, and some 67,000 submissions were made to the consultative com-

### Drive for reform at Futures Exchange

can be pushed through, possi-hly by convening a third extraordinary general meeting

### HONG KONG Futures exchange representatives met Exchange officials are to step at the weekend to consider up their lobbying to win suping in a three-month interest after lobbying to garner the rate futures contract. However, vital constitutional reform has

failed to achieve the required back to health after the 1987 of constitutional change last week. Michael Marray week, Michael Marray reports from Hong Kong. Government officials and

pressing shead with a new clearing system and guarantee fund, as well as plans for trad-

been twice blocked by a small number of brokers who would lose their voting rights under

Officials hope the reforms

The task of winning the necessary support for reform will fall to Mr Eoghan McMillan. the newly-appointed exchange chairman and an accountant who heads Arthur Andersen's Hong Kong and East Asian operations.

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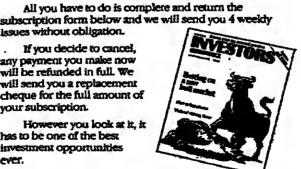
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### Ford. Nissan in Australia car venture

By Chris Sherwell in Sydney

THE AUSTRALIAN subsidiaries of Ford of the US and Nissan of Japan bave sealed an agreement to share production of a medium-sized four-cylinder car to supple ment their range and help them withstand local and for-

eign competition. Project Matilda has taken 18 months to be agreed and is a much-needed fillip for Nissan, the lowest-ranking of Austra-lia's five car producers. Ford will provide the tooling and stamp the car's body panels, and the vehicle will be assembled on a new A\$40m (£18.5m) line at Nissan's plant near Mel-

Ford Australia earlier removed doubts over the future of its ambitious Capri sports car project by approving production for the domestic market and final development of a US export model.

The announcement yesterday was seen as a further commitment to the government's eight-year car plan, which began in 1984 and foreshad-owed a fall in the number of manufacturers from five to three, plus a drop in the number of models from 13 to six.

The new locally-produced car will be based on the Nissan Bluebird released in Japan last year, adapted for Australian conditions. Production will be at a minimum 40,000 a year and Nissan plans to export some of its share.

This announcement appears as e matter of record only.

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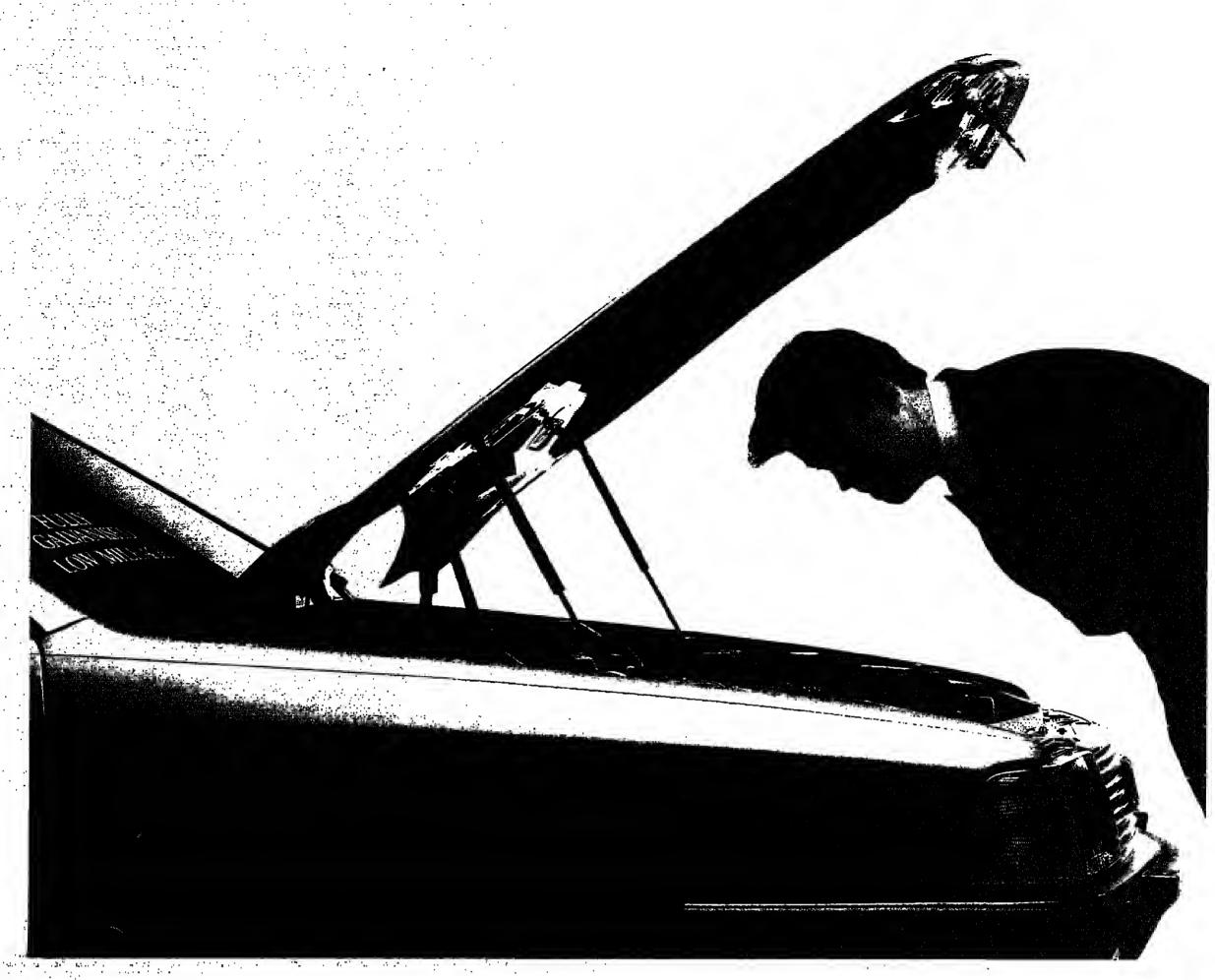
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JANUARY 1989



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### **UK NEWS**

### Centre parties fail to settle differences over closer links

By Charles Hodgson

THE PROSPECTS of an end to the stalemate between the two centre parties receded at the weekend as leaders of both the Social and Liberal Democrats and the Social Democrat Party firmly rejected each other's options for closer links after the Richmond by-election.

Mr Paddy Ashdown, leader of the Democrats, ruled out the call by Dr Dsvid Owen, SDP leader, for a broad electoral pact between the two parties, while Dr Owen spurned Mr Ashdown's suggestion of a merger as an "absurd idea." The Democrat response to

the SDP's strong showing at Richmond, where the Conservative majority was slashed by nearly 17,000 votes in a late SDP surge, is expected to be discussed at a meeting tonight of the Democrats' federal exec-

Senior party figures were already claiming last night that Dr Owen's refusal to consider a merger had portrayed the SDP leader as a "spoiler" in the public mind.

As the row between the cenre parties continued, a public opinion poll showed Labour overtaking the Conservatives for the first time since October 1986, pulling ahead by one per-centage point. A second poll put the two main parties neck

and neck. The Harris poll, published in yesterday's Observer newspa-per, which put Labour at 42 per cent, against 41 per cent for the Tories, also showed that a majority of Dr Owen's supporters favoured a merger between the SDP and the Democrats.

While SDP leaders dismissed the poll finding, Mr Asbdown drew on it to support his con-tention that the two parties should "put personal vanities aside" and seek a new relation-

ship.
"I am prepared to take risks with my party in order to move the situation forward," Mr Ashdown said in a BBC television interview. He added that the public would not forgive the two parties for failing to seize the opportunity offered by the Richmond poll, where a combined centre vote would have defeated the Tory candi-

Democrat party leaders will



Ashdown: ruling out an electoral pact

have an opportunity to sound out grassroots opinion on future links with the SDP at a future links with the SDP at a conference in Bournemouth next weekend, during which a motion on relations with Dr Owen's party may be debated.

Mr Ashdown's supporters insist that at present any formal agreement, whereby one party would stand down in seats where the other was stronger, is "wholly unrealistic" and undemocratic. But they concede that it would be electoral suicide to go into the

electoral suicide to go into the next general election at logger-Much will depend on the two

parties' performances in the forthcoming local and European elections this summer, and in the key Vale of Glamor-gan by-election, caused by the recent death of the Conservative MP Sir Raymond Gower. Some Democrats may suggest that the two local parties agree on a joint candidate, although others are sure to argue against setting such a precedent.

Many party activists will urge Mr Ashdown to stick to his stategy of "no deals" and see how the SDP performs in

the local elections. But they concede that the continued squabbling could leave the way open for Labour to enhance its present opinion poll showing as by far the strongest opposition party, par-ticularly if Mr Neil Kinnock, the party leader, pushes through his moderate-leaning policy reforms at this year's Labour conference.

# GEC, Fokker proposal for Shorts

By Lynton McLain

GEC, the UK electronics and defence company, and Fokker, the aircraft company partly owned by the Dutch government, have made a joint pro-posal to buy Short Brothers, the Belfast aerospace company the Government wants to pri-

GEC said yesterday it had proposed with Fokker a joint GEC/Fokker company to acquire Short Brothers, on the assumption that by the time Shorts was sold it would have "certain genuine net assets" free of debt. GEC said that both it and Fokker were interested in dif-

ferent parts of Shorts. GEC. with its defence interests, was likely to be interested in the guided missile operations,

US bank to

hive off

securities

By Katharine Campbell

FIRST Interstate Capital

Markets, the UK merchant banking arm of the American

West Coast bank, is to hive off its securities business into a newly created affiliate, so that, for regulatory purposes, this comes under the sway of the securities rather than the healting waterload.

banking watchdog.

This marks the first occasion in the life of the 1988

Financial Services Act (FSA) that an institution authorised under the UK Banking Act has taken its securities business in

search of a different style of

regulation.
The move renews concern,

voiced when the FSA was implemented, that insufficient

harmony between regulators would allow firms to "shop

around" for the most favoura-

First Interstate Securities, the new affiliate, will accom-modate the bank's Eurobond

trading business from March 1, and will then report to the Securities Association (TSA),

the City of London's largest

self-regulatory organisation charged with overseeing investment business.

banks effectively adopt either the Bank of England or the

Securities Association as their

"lead regulator." The two watchdogs have very different

styles, nowhere more obvious than in the way they approach the subject of how much capi-tal institutions must set aside to cushion their risk.

Mr David Lord, managing

director of First Interstate

this to continue, the Bank of England would have needed a

formal parent company guar-antee, which could have run

into legal problems in the US.

TSA capital adequacy requirements are formulated

requirements are formulated primarily for securities houses, with a balance sheet of liquid shorter-term assets rather than for banks, whose assets are typically less tradable longer term loans.

A number of other institutions are understood to be re-

tions are understood to be re-examining the feasibility of

running a securities business off a bank's balance sheet. The more extensive are the securities activities, clearly the less favourable it is. Mr Lord estimated that the securities side

mated that the securities side of First Interstate contributed

about 20 per cent of the UK operation's profits.

Eurobond business.

Under the PSA, investment

ble treatment.

business

while Fokker already has a link with Short's aircraft operations. Shorts makes the wings for the Fokker F100 twin jet 100 seat airliner as a risk sharing partner. Fokker wants to protect its source of

wings.
The announcement of the proposed joint company to take over Shorts, Britain's oldest aircraft company and the biggest employer in Northern heland, came on the eve of a statement today by Mr Peter Viggers, Northern Ireland industry minister on the refunding of Shorts. Mr Viggers is expected to announce the first stage of a programme to re-capitalise the Belfast group. This is to involve the under-

writing of the company's debts

or the transfer of debts to the Government in the run up to

The Northern Ireland Office said yesterday the Government had already committed itself to the need for re-capitalising Short Brothers before privatisation. The privatisation of Short Brothers could cost the Government between 2700m and £850m, the House of Commons Trade and Industry Select Committee said last

In the year to the end of March 1988, the company had total debt of £445.3m, made up of a deficit on shareholders funds of £175.6m, long term debt of £76.6m and short term debt of £193.1m.

The company also wants

Government launch aid to fund its proposed quarter share of the 2500m-plus Shorts FJX twin nirbofan powered airliner project, which is still on the drawing board. This could amount to about £150m. The balance for the project would come from partner companies.

In addition, the company needs substantial investment to re-equip its factories. This would amount to tens of millions of pounds, giving a total capital and debt write-off requirement for Short Brothers

of about £875m. Fokker also produces the 50 seat F50 twin turboprop airliner, a direct competitor to the proposed Shorts 48 seat FJX

### Shell Chemicals plans ethylene pipeline across UK mainland By Peter Marsh

SHELL CHEMICALS, the UK chemicals arm of the Royal Dutch/Shell oil group, is expected to announce today plans for a pipeline to carry raw materials to two big Shell chemicals plants in north-west England from the north-east coast.

coast.

The pipeline, likely to cost about £75m, would be the biggest chemicals infrastructure project in Britain for some years and indicates the current buoyant state of the chemicals business in Western Europe. The 150-mile transmission

system would channel ethylene, a vital feedstock in the chemicals industry, to two chemicals sites run by Shell at Carrington, near Manchester, and Stanlow, near Chester. Both complexes make plastics such as polyethylene and other materials used in motor oils

and detergents.

The pipeline would ease supply bottlenecks which in recent years have meant the Carring-ton and Stanlow plants have worked below capacity.

The bottlenecks have resulted from problems Shell has experienced in recent years in gaining sufficient use of an existing cross-England pipeline for carrying ethylene. This system is run by Imperial Chemical Industries, Britain's biggest chemicals group.



Spare transmission capacity

for the past year going ahead with the new transmission net-

decision on the pipeline today but is thought almost certain

to approve the scheme. Before the project can proceed, the company will have to gain planning consent for the pipeline from a variety of govern-

ment agencies.

Assuming this is obtained, the ptpe could be in place within the next two years. It could lead on to a further decision by Shell, which the company is now considering, to huld a new polyethylene plant at Carrington.

That project, which would be made in the light of the cur-rent high demand for the plas-tic in Britain, could entail a further investment at Carring-ton of up to £50m over the next

The pipeline likely to be announced today would con-nect Shell's two plants in north west England with an existing ethylene transmission network on the west coast of Britain

Under an arrangement with Exxon, the US oil giant which operates the Mossmorran plant, Shell takes about 300,000 tonnes of ethylene a year from this facility before feeding it into the ICI pipeline, which starts at Teesside.

As a result of the high overall UK demand for chemicals in the past two years, ICI's

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Bankers Trust Bankers Trust Company, London 27th February, 1989

on the existing pipe-line - which is mainly used by ICI for transferring ethylene hetween its production sites on Teesside in the north east and Merseyside in north-west England has been limited due to the heavy demands being put on it by ICL Shell has been considering

work as a way of ensuring it can increase production at Car-rington and Stanlow. Shell is due to make a final

own use of this pipeline has been growing.

### Water flotation behind schedule

By Richard Evans

THE GOVERNMENT is four to six weeks behind in its tight schedule for preparing for the privatising of the water industry, according to confidential documents leaked to the opposition Labour Party.

Capital Markets, said that capital requirements for securities positions, as laid down by The disclosure, taken with ficiently operous that it had become apparent the firm would look for an alternative the series of recent setbacks to water privatisation plans involving much higher charges and difficulties in meeting arrangement to maintain its stringent European Commission regulations, will cause ministers further political In the past year, the firm has had an interim arrange-ment whereby the US parent effectively guaranteed large underwriting positions. For this to continue the Bank of

embarrassment.

The Government's original intention was to publish details of how charges would be fixed after privatisation by the end of January this year. These principles will not now be known until well into March. The 10 regional authorical March. The 10 regional anthorities in England and Wales are due for flotation in November. Charges will be based on a formula similar to that used for British Gas and British Telecom, namely the retail price index plus or minus a factor called K. This K factor will take account of a company's capital investment pany's capital investment plans, its proposed profits and dividends, and a negative ele-ment for improved efficiency. A confidential letter dated February 6 sent by Mr Michael Howard, Environment Minister with responsibility for the industry, to Mr Jack Jeffery industry, to Mr Jack Jeffery, chairman of the Water Compa-nies' Association, which repre-

sents 28 of the 29 statutory water companies, confirms the decision to delay publishing the K-setting principles.
The letter, leaked to Mr Jack

Cunningham, Labour spokesman on the environment, says that representatives of the WCA and of the water anthori-ties had been told "it would not be possible to make a public announcement . . . by the end of January as we had pre-viously hoped. We have not yet received adequate numbers on the authorities' and the compa-nies' operations which would enable us to develop rohust principles."

There are mixed views about the significance of the delay. Some industry leaders argue that the schedule is so tight and the negotiations on fixing K for the 10 authorities and 29 companies over a 10 year period so complex that it will be impossible to make up the last time. lost time. Others believe the lost

ground can be made up before K is finally fixed in the sum-K is finally fixed in the summer. The present plan is to have all the K setting figures in from the authorities and companies by the end of March. The Environment Department will then have six weeks in which to consider them, followed by six weeks of consultation until the end of June.

The immediate difficulty is that a circular argument is

going on, with the Department demanding all the details from the industry immediately, and the industry responding that it cannot give accurate figures until it knows what the K set-

ting principles are.

Mr Howard, in his letter, stresses his opposition to the price increases of 30 to 50 per cent proposed by some private water companies from April 1. However, it remains to be seen how many companies will back down from such rises under down from such rises under unprecedented Government pressure. The indications are that some will modify their plans, but that most will go ahead with increases to prepare themselves for the new regulatory regime after privati-sation.

Dr Cunningham plans today to urge Mr Nicholas Ridley. Environment Secretary, to abandon the Water Bill, now in its House of Commons committee stage. In a letter to Mr Ridley he writes: "It is now absolutely clear that the proposals in the Bill are too weak, confused and incoherent to ever create an effective framework within which to safeguard con-sumers and the environment."

Ministers remain confident Ministers remain confident the privatisation measure will reach the Statute Book on schedule in July, but they are increasingly worried by its overwhelming unpopularity in opinion polls, including among Tory voters.

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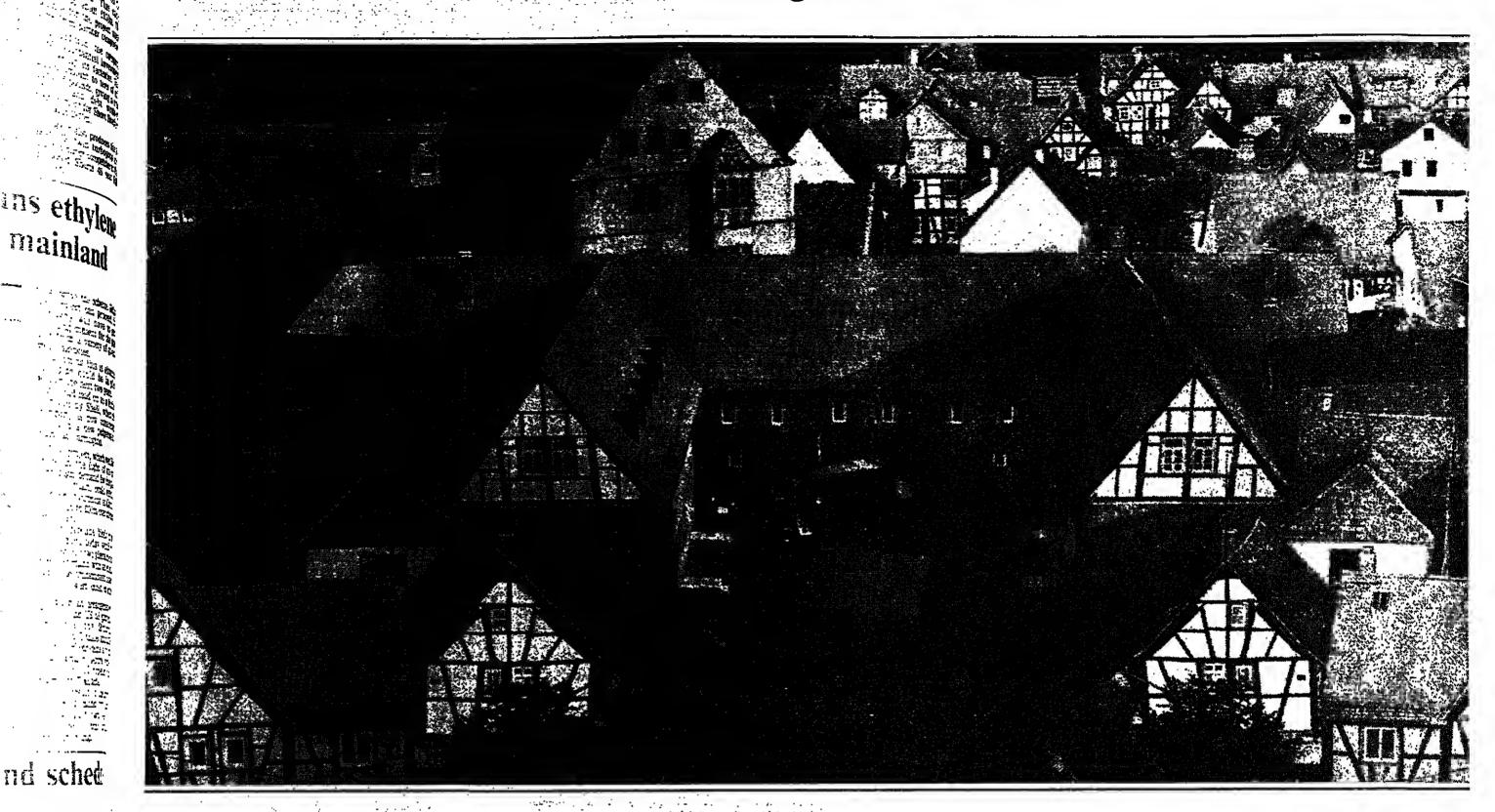
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### Energy reserves grouped in fewer hands

By Stevan Butler

A FRENETIC series of North Sea asset deals in the past year has resulted in a high concentration of ownership of Britain's oil and gas reserves and exploration acreage, says a report by County NatWest pany. Further, foreign companies have come to control most UK oil reserves.

The report says five companies own 57.7 per cent of Britain's commercial oil and gas reserves and 58.7 per cent of current output. Concentra-tion is less pronounced for exploration acreage: the five

control 39.8 per cent. British ownership of UK oil and gas reserves has fallen to 47 per cent, if Royal Dutch/ Shell is classified as a British

followed from the high level of corporate activity last year in

COMMERCIAL RESERVES OWNERSHIP % of total UK commercial reserver Oil Gas companies 21.1 18.5 57.7 87.9

The five leading companies are British Petroleum, Shell, Exxon, British Gas and Enter-prise Oil. BP secured the most dominant position by acquiring Britoil last year.

The increased concentration which 2.3bn barrels of oil equivalent changed hands, amounting to 15 per cent of

Britain's remaining commer-

BP now owns 20 per cent of those reserves, compared with about 12 per cent each owned hy Shell and Exxon, the world's two largest oil compa-nies. However, the fact that Sheil and Exxon manage their North Sea assets together in a joint venture has the effect of increasing the degree of con-

centration even further Following those leaders are British Gas, with 7 per cent of reserves (15.6 per cent of all gas reserves), and Enterprise Oil, with more than 4 per cent (5.6 per cent of all liquid

BP owns 16 per cent of all offshore acreage under licence on a net basis. However, it is a participant in 28 per cent of all blocks under licence, giving it commanding access to a wealth of geological informa-tion on the North Sea.

The increasing concentration of control in Britain's oil and gas industry is part and parcel of the demise of the UK independent sector. Three large independents,

Britoil, Tricentrol and Acre Oil, were taken over by bigger

companies last year. Some non-oil companies, including Taylor Woodrow, RTZ, Ten-neco, Pearson and Associated News left the industry, selling

off oil and gas assets.

The result is that BP, Shell and British Gas account for 80 per cent of offshore commercial reserves owned by UK companies, and 85 per cent of UK companies' output.
The study raises the possibil-

ity that the reduced number of players in the field would lead to an atrophy of new ideas and approaches to the indus-

That danger was recently emphasised in a report hy a Parliamentary Energy Committee which praised inde-pendents for "excaptional enterprise."

lished — Grand Metropolitan. Foods, Europe — with annual sales of \$2.5bn. It will have two divisions. The first — Pillsbury. Foods Group (Europe) — will consist of the European foods operations of Pillsbury, with business in the UK, France, Spain, the Netherlands and West Germany and the non-dairy operations of GrandMet subsidiary Express Foods Group. Group.
The other operating division in this unit will be Express Foods Group (International), which largely consists of GrandMet's dairy interests. Mr Michael Hodgkinson, managing director of Express Foods Group (International), will become chief executive officer of Grand Metropolitan Foods, Empres. Group.

**GrandMet** 

reorganises

after £3bn

GRAND METROPOLITAN, the

UK food and drinks group, has reorganised its foods operations after the \$5.7bn (£3.2bn) purchase of Pillsbury, the US food and Burger King

restaurant company.

A new unit will be established — Grand Metropolitan.

**US** deal

By Philip Coggan

Europe.
Pilisbury's non-US and non-European operations, with annual sales of about \$500m. will be grouped in a second unit, Pillsbury International.

### Pace of shoe job losses quickens as imports increase

By Alice Rawsthorn

SEVERAL thousand lobs were lost in the footwear industry last year because of the rapid rise in imports fuelled by the strength of sterling. The footwear industry has

faced intense competition from imports for about a year. Pressure on profitability has intensified in recent months, however, and the rate of job losses and company closures has accelerated.

The volume of imports coming into the UK rose by 6 per cent to 186.6m pairs of shoes last year, according to the latest statistics from the British Footwear Manufacturers Federation The level of import penetra-

tion increased from 63 to 65 per cent during the year. That compares with import penetra-tion of 47 per cent in 1980. The import pressure has been most intanse in the women's and children's shoe sectors, concentrated in Leices-

tershire and Lancashire. In recent years, several south-east Asian countries — such as Taiwan and South Korea — have invested heavily in manufacturing capacity for women's and children's

By contrast, the men's shoe

manufacturers, mainly based in Northamptonshire, bene-fited from buoyant demand. The traditional British brogue is now fashionable all over the world and the men's shoe makers have experienced healthy growth in both home and over-

eas markets. The women's and children's shoe companies bore the brunt shoe companies out the orthodof the 2.5 per cent fall in foot-wear output — to 122.6m pairs worth £900m — last year. Similarly the job losses and company closures have been concentrated among these

It is still not clear exactly ht is still not clear exactly how many jobs were lost in the industry during the year. The Government's figures indicate that employment fell by 7 per cent — or by about 3,680 to 48,990 — in the 12 months to October. The BFMF suggests that the rate of decline is likely to have accelerated since October. to have accelerated since Octo-

ber.
Tha rate of company closures has also accelerated. J.
Percival, a Leicester company,
stopped production last week
after 96 years of shoe making.
Mr. Roger Percival, managing
director, blamed import competition as the cause of its difftition as the cause of its diffi-

### Kleinwort sees strong rise in N Sea oil production

KLEINWORT BENSON, the London securities group, has issued one of the most hullish forecasts yet for oil production in the North Sea, saying oil could play a critical role in the UK ecocomy if, as it forecasts, oil prices rise significantly early in the next decade.
In its latest issue of Drill Bits Weekly, a market com-mentary, Kleinwort Benson forecasts that UK oil produc-

will rise from 1988 average levels of 2.28m barrels a day to a peak of 2.46m h/d in 1994. The production forecast comes close to the upper range of a recent government projec-tion for the next five years, which lifted estimated production by about 10 per cent over earlier government forecasts. The Government forecast a range of production in 1993 between 1.6m to 2.4m h/d, com-

Kleinwort Benson of 2.37m b/d. Kleinwort Benson also forecasts that production will remain above 2.3m b/d until at least 1996, with the later years subject to upward revision should the recent high level of success in North Sea exploration continue. That means a high likelihood of production close to 2.4m b/d for a number

The increased figures would have important implications

for the UK economy should Kleinwort Benson be correct in its predictions that oil prices are poised to rise significantly in 1992 or 1993, as the world becomes increasingly depen-dent on the Middle East for crude oil supplies.

The result, in 1994, would be to give the UK net exports of oil of 800,000 b/d, yielding a contribution to UK exports of £70n to £80n. That assumes an oil price of £70 to £80n.

oil price of \$25 (£15) a barrel.

Although the UK would also suffer at that time from imia-tionary pressures brought on tonary pressures brought on by rising energy prices, it would be relatively cushioned compared to the big oll-import-ing countries, such as Japan, West Germany and the US. Kleinwort Benson's oil price forecasts are by no means a consensus in the industry, where many expect stable oil

where many expect stable oil prices until nearly the end of the century.

### Nature fund urges use of overseas cash

By Stephen Fidler, Euromarkets Correspondent

THE WORLD Wide Fund for Nature bas embarked on a campaign to persuade Britisb companies and individuals to apply funds frozen overseas to development and conservation programmes in the countries

Many companies and indi-viduals have money locked in bank accounts in developing countries, mainly in Africa and Latin America, which they cannot bring home because the individual governments lack the foreign-exchange resources to allow the transfer.

Such funds can arise from profit remittances or proceeds from the sale of businesses, Because of local currency depreciation, the value of the blocked funds, some of which have been held for years, often declines significantly, leading many companies to write them

In pilot schemes in Tanza-nia, Zamhia and Zimbahwe, the charity's UK arm has already raised the equivalent of

£250,000 to fund projects.
Consolidated Gold Fields s, for example, donated Zimhahwe dollars for a project aimed at finding ways to counter the environmental problems caused by cattle

Rio Tinto Zimbabwe has also made donations. Chioride's Zamhian suhsidiary has contributed to a wetlands project in the Kafue flats and Bangweulu Basin. T & N have paid for a helicopter, as part of a project to support the endangered black rhino popu-lation in the lower Zamhezi

These three countries continue to be targeted by the fund, which is also initially aiming to raise money in Zaire and Brazil. But officials believe the concept could be applied to many of its 240 projects in 40 developing countries. "We think the idea has enormous potential," said Ms Sarah Brun-win of the charity's corporate

fund-raising department. The release of blocked funds has possible tax consequences, either adverse or favourable, to the company concerned, so the accounting firm of Arthur Andersen is offering advice to companies interested in pursu-

The charity's US group has led the way in sponsoring so-called debt-for-nature swa in which sovereign debt of a developing country is pur chased at large discounts and swapped into local currency to support conservation projects.

### Barclays plans to advise pupils on passing exams

to seed advice on bow to do well at exams to more than 500,000 school pupils in what is claimed as the biggest sponsorship arrangement yet between a commercial company and an examining board. In return, the bank will be

able to market its service to pupils taking the 16-plus GCSE-exam with the Southern Exam-ining Group and the 18-plus A and AS levels with the Associ-ated Examining Board - two of the biggest school examining hodies in the country.

Pupils sitting exams with the two examining bodies will be able to send off for a free exam guide entitled How To Do Better in Exams.

Those who pass their exams will be able to apply for another document outlining the syllahus covered by each exam: this is designed to giva

understood information on the exams the pupils have taken.

The form to be completed by pupils in order to receive the

details of hanking services from Barclays.

Barclays is paying for the printing and despatch of the

guides. The bank said the ini-tiative flowed from its desire to develop links with education and represented a significant marketing opportunity.

Mr George Turnbull, chief executive of the Associated

over a further period.

### By David Thomas, Education Correspondent BARCLAYS BANK is planning employers and colleges easily

guides will also contain a box asking if they want to receive

Examining Board, said the arrangement was the most extensive yet between the examining world and business. Barclays had agreed to fund the publications for a threeyear period initially, but he hoped that would be extended

### Staff canteens attract record level of custom

By David Churchili, Leisure industries Correspondent

enjoying a record level of popularity with British workers, according to a survey of companies covering over 500,000 employees.

The survey, by the Industrial Society, shows that 68 per cent of workers last year bought a cooked meal, snack or light refreshment each day from a company canteen.

"The survey registers the highest number of total sales ever recorded," the report points out.

The 68 per cent level was 10 per cent higher than in 1985, and 20 per cent up on 1978. However, the survey shows that about a third of a com-pany's workforce "want to buy

a cooked meal and, at under £1.50, three courses and tea or coffee is value for money." However, prices have risen hy an average of 23 per cent

STAFF CANTEENS are since 1985, with prices in Lnndon and southern England higher than in the North and Scotland.

Sales of drinks such as tea or coffee have increased to about 2.5 cups daily, although employees in London and the North have at least three cups a day.

The traditional tea trolley is disappearing, the survey points out. Sales of drinks from machines are 2.5 times those from manual services. Employees drink 2.5 times as much vended coffee as tea.

The executives-only dining room is also on the way out. About three quarters of companies had the same dining facilities for all employees.

26th survey of catering prices, costs, subsidies, and other information; Industrial Society, Peter Runge House, 3, Carlton Terrace, London, SW1Y 5DG.





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### **UK NEWS**

### Warburg takes first place in gilt-edged rankings

shoe job

ickens as increase

The survey polled 145 UK institutions and users of the gilts market. It is conducted yearly and is regarded as one of the most reliable assessments of the performance of ments of the performance of individual securities houses. It is used internally by market makers to identify weaknesses and make improvements, either by changing personnel or putting more resources into weak areas.

Warburg consistently soored first in overall ratings for how many institutions cited it in

many institutions cited it in the top 10, the overall rating of its sales force, market-making capability and economic arch. In most of those categories it occupied second place to Phillips & Drew in 1988.

The ratings provide a reason-able guide to the market share of the main dealers in the gilts market but tell little about profitability. The second-placed house, Phillips & Drew, disclosed big losses in its gilts

The overall rating is based on the frequency of citation in

WARBURG SECURITIES has pushed out Phillips & Drew and moved up to first place in the ranking of glit-edged market markers in 1969, according to a survey by Greenwich Associates, a US ratings and with Phillips & Drew, with a score of 15 per cent each. The survey polled 145 UK

TOP OILTS TRADERS IN 1989\* Warburg Phillips & Drow BZW 8 (12) 10 (10) 11 (9-)

Securities, one of two Japanese securities houses to join the market, was rated best, with 36 per cent of the survey group rating it outstanding. Goldman Sachs was second, followed by Merrill Lynch and Warburgs. Daiwa was also rated best at dealing in large blocks of short-dated gilts. It was fol-lowed by CL-Alexanders Luing & Crulckshank, Warburgs and Goldman Sachs.

Warburgs was best at mak-ing competitive markets promptly and best at dealing in promptly and best at dealing in large lines of medium-dated gilts. Goldman Sachs was best at making markets in large lines of long-dated gilts, with Greenwell Montagu and War-burgs following. In terms of research capabil-

ity, Warburgs comes first in its interest-rate forecasts, inter-prelations of government polpresenting of government policy, advice on portfolio strategy and information on types of securities. Goldman Sachs is first in business and economic analyses, followed by Warburgs and Phillips & Drew in equal second place. equal second place. The International Stock exchange today begins the pilot service of SEQUAL, the

on-line trade confirmation service for international security trades. Heather Farmbrough SEQUAL provides on-line matching and confirmation of trade details for parties buying and selling international securitles. The system will compare two sets of information and

either identify a matched trade or record the trade as The pilot is beginning with seven houses. So far, 28 houses have contracted to use the ser-

### **Ethical** investments can match market

By Heather Farmbrough

THE RETURN on ethical the RETURN on ethical investments can be as good as the rest of the market, according to a study of eight hypothetical ethical index portfolios over a five-year period, compiled by Barra International, the independent international. the independent international pension and investment con-

solting firm.
The cumulative return on ethical portfolios ranged between 147 per cent and 185.5 per cent, compared with an index return of 161 per cent. The yield on ethical funds remained over 4 per cent, compered with an index yield of .36 per cent.

The worst performer was the tobacco-free portfolio (total return of 147.4 per cent), while the best was one that excluded all South African companies with over 1,000 employees (165.5 per cent).

However, a number of ethi-cal funds, notably Merlin Ecol-ogy, appear to have ootper-formed the market by selecting on a positive basis instead. The idea is that companies that care about their employees and matters such as pollution and the environment have more forward-looking management so will perform better.

### LONDON BUSINESS SCHOOL ECONOMIC OUTLOOK

### Growth 'will slow down for soft landing'

By Peter Norman, Economics Correspondent

THE London Business School is confident that the British economy can achieve the desired "soft landing" from last year's excessively strong

In its latest thrice-yearly forecast, published today, the LBS envisages a slowdown in economic growth but no recession in the period to 1992.

The LBS's Economic Outlook predicts that Britain's huge

current-account balance of pay-ments deficit will decline sig-nificantly over the next four years. Inflation will fall moderately to under 5 per cent. How-ever, the sharp fall in folless numbers from more than 3m in early 1987 will grind to a halt unemployment is projected to hover around 2m in the next

four years. The LBS has only slightly revised its view of future economic treods since its last main forecast at the end of October. Real economic growth of 3 per ceot this year and 2.4 per cent in 1990 will be somewhat slower than previously envisaged, to reflect the increase in bank base rates to 13 per cent in November last

The LBS forecasters, who were already more optimistic than most of their peers about the likely development of the current account, now expect a somewhat faster decline in the deficit. The current-account

**ECONOMIC FORECASTS** Inflation Consumer 2.2 27 6.2 Imports Current Balance (£bn) -14.0 Unemployment (UK, m) 2.3

deficit is expected to drop this year to £12bn from about £14bn in 1988 and continue falling to £5.8bn in 1992. In October, the

LBS forecast a decline in the deficit to £6.8bn in 1992. The forecast pinpoints a sharp decline in the growth of import volumes this year as the main factor behind the expected improvement in the deficit. Throughout the fore-cast period, the LBS expects the volume of British exports of goods and services to grow more quickly than imports. British manufactured

exports are expected to rise by 7 per cent this year after a 5 per cent rise in 1988 while the

growth of production for domestic consumption is fore-cast to slow from more than 7 per cent last year to less than 5 per cent in 1989.

Overall, the growth of manufacturing ontput is expected to slow to 5.5 per cent this year and 3.3 per cent in 1990 from 6.7 per cent last year. As out-put slows, manufacturing pro-ductivity growth should decline to between 4 and 5 per cent annually from 7 per cent. The decline in consumers'

expenditure, highlighted in the table, is expected to depress output in the construction, distribution and services sectors. The personal savings ratio,

which fell to a record low of 1.3 per cent in the third quarter of last year, should recover to more than 4 per cent in 1991-92,

the LBS says. The LBS believes that bank base rates have peaked at their present 13 per cent but sees little chance of a rapid reduction because of the need to keep the pound stable to con-trol inflation. It says a reduction in base rates to 12 per cent in the second half of this year and to 10 per cent by the end of 1990, as world interest rates are reduced, would be consistent

with exchange-rate stability. The report says that the present tight monetary policy needs to be reinforced by fiscal caution. The LBS expects the public sector to remain in chronic surplus and projects a public-sector debt repayment of nearly £20bn in 1992-93.

The forecast assumes that the Government will only be able to remit a small part of its surplus to taxpayers over the forecast period. For illustrative purposes only, it has assumed a series of 1-percentage-point reductions in the basic rate of income tax from this year's Budget onwards to reach Mr Lawson's target of a 20 per

cent basic rate in 1993. Economic Outlook, Vol 13, No 5. Gower Publishing, Gower House, Croft Road, Aldershot, Hampshire GU11 3HR. Annual



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### Call for tax reform to increase savings

By Raiph Atkins, Economics Staff

BRITAIN HAS a rare opportunity to reform the tax treatment of savings by using the public-sector surplus for tax incentives to boost private savings, an article in the Economic Outlook says.

Tax treatment of savings is a "shambles," Mr John Kay, the report's author, writes. He sets out proposals for a scheme that would encourage savings without allowing tax incentives to leak into consumer spending. The article highlights many

anomalies and inconsistencies in the taxation of savings. It says: "Even the most level of playing fields will have the odd bump, and that may not distort the game too much. But it is hard to talk of a level playing field when no two parts of it are at the same height." Mr Kay adds: "The Saturday

editions of the quality newspasubscribe to schemes which are distinguished more by their tax advantages than the underlying profitability of the investments involved."

If taxation regimes are to be standardised, he says, there are two main alternatives. One would be to develop Personal Equity Plans (PEPs), which offer no tax relief on invest-

ment but exempt the yield. However, Mr Kay rejects that idea. The difficulty is that the revenue cost of PEPs is low in the first year but the schemes boost consumers' wealth, encouraging spending in anticipation of future tax relief. If the Government were to spend £5bn on expanding the scheme, a large chunk might feed through into spending, he says.

regime for the Government to introduce would be based on the tax structure of personal pensions or US Individual Retirement Accounts. Here but proceeds are subject to a full tax charge. Its advantage would be that

A second, more attractive,

tax revenues forgone by the Government would flow into private sector savings. If taxrelief, they would immediately trigger a clawback.

Mr Kay suggests that indi-viduals should be allowed to invest in such schemes up to a certain limit with withdrawals subject to both basic and higher rate tax. He estimates that if £5bn of tax revenue was forgone, personal savings might rise by about £10bn.

### Fall in people aged 45-64 is 'main cause of decline'

By Simon Holberton

THE DECLINE in the number of people aged 45-64 has been a principal cause of the fall in recorded savings in Britain during the 1980s, according to London Business School ecoco-

However, they say the level of savings will recover in the 1990s as the number of people in this age group rises.

The authors of the study in the latest Economic Outlook,

Mr David Curria, Mr Sean Holly and Mr Andrew Scott, also forecast an improvement in the current account of the

in the current account of the balance of payments.

Given that outlook for savings, the LBS warns Mr Nigel Lawson, Chancellor of the Exchequer, that be would be ill advised to heed calls for Budget measures to raise the level of savings.

The authors say the four main reasons cited for a decline in the rate of savings, mismeasurement of savings,

- mismeasurement of savings, financial daregulation, the house price boom and expectations of higher growth - are insufficient to explain the fall. All have played a part, but the recent tightening in mone-tary policy should he enough to reverse the trend they started. High interest rates will depress consumption and house price rises and the rate of economic growth, which should help raise savings.

should heip raise savings.

More important, however, is the growth in the numbers of people reaching the age of 45. The group aged between 45 and 64 tends to save more than younger and older groups, and it was this group that fell, as a percentage of the population, during the 1980s.

"The decline reflects primarily the effects of the Second

ily the effects of the Second World War on the birth rate... There is an apprecia-ble revival of numbers in this

age group as the post-war baby bulge enters middle age."
Growth in that age group is beginning this year and will rise to more than 1m people by 1996. By that time, the savings ratio will be 2 per cent higher than it would have been without this growth in the age group.

### Clothing retailers hit as consumer spending falls

By Christopher Parkes, Consumer industries Editor

THE CLOTHING MARKET has been hit especially hard by reductions in consumer spending. The annual rate of sales growth last year was only 6.6 per cent, the lowest since 1982. according to a report from Verdict, the retail research group. A number of other factors were already making life diffi-

cult for clothing retailers and depressed spending caused by high interest rates has made matters worse, the report says. The business has been suf-

fering from low price inflation at a time of rising operating costs, and retailers have relied too heavily on new store openings to provide growth. Demand for new outlets in turn has raised costs, pushing up rents and property prices.

Verdict says that clothing occupies 20 per cent of retail sales space, but accounts for only 15 per cent of retail turnover. It concludes that "there is simply too much space chasing too few sales."

The gloomy outlook is intensified by the lack of strong fashion trends, which has tended to make many of the multiple chains and their offerings look indistinguishable from one another.

Burton Group has narrowed the market share gap with Marks and Spencer, but with 9 per cent of sales, against 15 per cent, it still has ground to make up.

Verdict on Clothing Retailers. Verdict Research, 112 High Hol-born, London WC1V 6JS. 2450.

### BT terms 'may face suppliers with bankruptcy'

By Hugo Dixon

THE UK electronics industry fears that some of its members might be bankrupted if they are forced to accept clauses British Telecom is seeking to introduce into its contracts with suppliers.

Tha clauses would make suppliers responsible for losses BT faced as a consequence of faulty equipment. The industry provides BT with about £2bn of equipment each year.

Its concerns surfaced this month at the annual dinner of the Electronic Component Industry Federatioo, many of whose members are subcontractors to BT's main suppli-

"Toey [BT] try to force their standard conditions which may be ideal for telegraph poles, bot they doo't make commercial sense between electronics component manufacturers and their customers," Mr Don Tyzack, federation chairman told the dinner.

BT's new clauses have also been of concern to the Telecommunications Equipment
Manufacturers Association
(TEMA), whose members
include most of BT's main contractors. However, few of them have been willing to criticise BT openly out of fear of antagonising a customer that, in

many cases, accounts for most of their business.

BT itself bas tried to play down suggestions of a dispute with its suppliers, denying that it had yet changed the terms of its contracts or that it was seeking to impose the changes unilaterally. "We want to arrive at a relationship by agreement, not in opposition,"

new conditions had already started finding their way into contracts with individual companies. That was confirmed by GPT, the UK's largest telecommunications manufacturer, which said that conditions had "more onerous" hecome

BT said it was seeking to establish the "important prin-ciple" of making its suppliers liable for consequential losses. It described that as an ordinary, prudent commercial

Sucb cooditions were not necessary at a time when BT had been a state-owned monop-oly, but were now that it faced competition in the marketplace, the company said. There was a need for the new conditions because BT had agreed to

tions because BT had agreed to compensate its own customers for consequential losses from the beginning of April, it said. The electronics industry, however, is worried that the new conditioos might leave companies open to unlimited liability. The component suppliers are particularly anxious, because they do not always know how their components will be used by BT's main contractors.

"Say an exchange went out of action for a week and clients were cut off. If BT had to compensate, component suppliers would have to pay," one execu-tive said. Companies would have the choice of going out of business or paying enormous insurance premiums, he said. BT refused to comment on the fears, saying it was still in discussions with the industry

Polyethylene in UK

1988 Total production 450,000

material for plastics.

than £100m.

The pipeline, together with other investment schemes for Carrington, is likely to involve

a total outlay by Shell of more

between 1980 and 1984, is now

making a profit and the work-force that is left appears to have a secure future.

The demolition programme at the site led to a bonanza for local scrap dealers. Other bene-

ficiaries have included 88 small companies, in fields such as

computer services, which rent office buildings at Carrington vacated by Shell during the

variated by Shen during the staff cutback. Those companies employ 350 people on the site. Many of the moves at Car-rington mirror events in the

chemicals sector generally. In the early 1980s, demand for

many bulk chemicals plum-

Carrington, which lost £150m

100,000 lorenes

1988 Total consumption 1m

Shell coaxes star performance from reduced cast Peter Marsh on expansion hopes at a chemical complex where the future is now looking good

E HAVE a different style of working now," says Mr Boh Punchard, as he shows a visi-tor round the empty spaces at what was cores a hustling what was once a bustling chemicals complex at Carring-

ton, near Manchester.

The workforce at the 500acre complex, which mainly
makes plastics and is run by the UK subsidiary of the Royal Dutch/Shell oil and chemicals group, has been slimmed by a fifth, to 500 people, since 1980. A total of £7m has heen spect oo demolishing old and

unwanted plant, leaving the gaps referred to by Mr Pun-chard, Carrington's technical services manager, who has worked at the site for 31 years. Those measures make a tour

of the complex a soulless affair, involving little human contact. However, the cuts at Carrington, which in spite of the changes remains one of Britain'a biggest chemical production sites, has turned what in the early 1980s was a problem site into a star performer.
Shell, heartened by the turnround, is considering a range
of investments at Carrington,
which, by increasing output at
the site, might help to reduce

Britain's large balance of pay-ments deficit in plastics. Shell is expected today to outline possibilities for new capital projects at the site. The most important scheme is likely to be the construction of a new pipeline to bring to Carrington, from other UK chemical complexes, supplies of ethylene, a vital raw

Carrington, which produces some 350,000 tonnes a year of plastics and other commodity materials, such as detergent additives, was no exception to the general pattern. Faced with the decline in fortunes at the site, Shell considered closing it. Instead, the company cut the workforce and insisted that all remaining employees agreed to work on a highly flexible basis. That did away with demarca-tion lines between different types of craft-based and techni-cal work and ensured higher

Partly because of that - but also because of the better mar-ket conditions for many bulk chemicals in the past two years Carrington now has a bright future, according to Mr John Wellings, the site manager. Sales are at the same kind of

level as in the early 1980s, when the site had many more workers. The difference is that at the beginning of the decade the complex made far more intermediate chemicals as feedstock for its final products; these are nowadays mainly piped in from other chemicals facilities or transported by

Mr Wellings also points out-that, as another result of the change in working conditions, the site's safety record has improved considerably. He believes that the better financial performance has raised morale at the site and says that that, coupled with the

plunged into a gloomy period principle of flexible working, of falling sales and wafer-thin profits.

Consider which are the profits well below the rate in the chemicals sector generally. The complex is now experiencing one significant work mishap every 1m man-hours, compared with a level of 8-10 per 1m man-hours in the early

> thange in the site's fortunes, Shell is considering a range of investments. It is already spending £48m on a new plant at Carrington to make polypro-pylene, a plastic with a fast-growing market that is used in a variety of industrial and con-

A more substantial pro-

gramme under discussion might involve a new plant at the complex to make polyethyl-ene, the world's biggest selling plastic, which is mainly used in packaging, films and house-hold containers.

inked with this scheme is the plan for a new pipeline to bring ethylene, the main raw material for polyethylene, from Britain's main ethylene production facil-ities on Teesside and in Scot-

Mr Wellings points out that Carrington has to compete with the company's other big plastics sites in Europe for new investment. He believes, how-ever, that Carrington has done enough over the past few years to demonstrate that it is worth spending money on. He says: "In Shell's eyes we can be considered a good place for

polymers development." Although Britain's trade performance is not a factor in Shell's discussions over possi-

ble investment at Carrington, any move to expand polyethylene output at the site would ene output at the site would undoubtedly ease the country's balance of payments difficulties in plastics generally.

Carrington currently makes about 100,000 tomes a year of polyethylene, nearly a fifth of the country of the

Britain's total output of the material, the only other UK-based supplier is British Petro-leum. Any new investment at Carrington could be expected to lead to a substantial increase in the plant's polyeth-viene output. ylene output.
In recent years, UK demand for the plastic, which is about

for the plastic, which is about im tonnes a year, has risen considerably faster than domestic supply. That has mainly henefited hig overseas makers of polyethylene such as Dow Chemical of the US and West Germany's BASE. It has held the contamination of the US and the contamination of the US and West Germany's BASE. It has West Germany's BASK. It has led to an annual UK trade ahortfall in the material of about \$300m — an important part of Britain's total halance of payments deficit in all plas-tics of £700m.

Britain's poor trade record in plastics takes some of the gloss off the performance of the UK chemicals sector generally which has overall net exports of about £2bn a year and has been the subject of some concern in Britain's chemicals community in recent

Any talk of extra invest-ment at Carrington is not

wholly welcomed in all quar-

Mr Stuart Wamsley, a respected chemicals industry analyst at the London office of Morgan Stanley, the US investment bank, said that Shell would be unwise to consider anything more than a small increase in polyethylene capac-

ity at Carrington. He added that the world market for polyethylene - and for many other types of bulk synthetic materials - was in danger of becoming overheated because of the investment plans of companies around the

olyethylene production capacity worldwide was likely to increase by nearly 30 per cent by 1992 to about 34m tonnes, he said. If all those projects went sheed, prices might fall, causing a nosedive in chemicals industry profits, in much the same way as in the early 1980s. Whatever the outcome of the

talks involving an expansion at Carrington, the overall employment figure at the site is unlikely to change substantially.

Managers at the site said

Missingula to they found it difficult to believe how the complex had operated on its past levels of

manning.
Mr Punchard said: "We are hasically doing much the same work with far fewer people but I don't think we would ever have bitten the bullet to such an extent if we hadn't been on the brink of closure."

Coal chiefs

### reemeot, not in opposition," about the contract. It may or may not involve unlimited liability," it said. Hong Kong plan for mobile phone maker

By Terry Dodsworth, industrial Editor

phone manufacturer, is planning a large-scale expansion later this year with the start of prodoction at a new plant in Hong Kong.

The Hong Kong facility, a joint venture with a local com-pany called Video-Technology, will allow Technophone to diversify into the mass market for car telephones fixed insida the vehicle. At present, the company makes only portable phones, which are more sophisticated than standard car telephones and more expen-

Mr Nils Martensson, managing director, says the decision to invest in the factory is aimed partly at helping the group to expand in the US, where portables account for only 10 per cent of total sales. At the same time, the move

marks the group's determina-tion to challenge the big inter-national electronics groups that dominate the car telephone market.

Over tha longer term, Mr Martensson says he wants Technophone to hecome a large volume manufacturer competition.

TECHNOPHONE, the UK's numbered among the top five only indigenous mobile tele-world competitors. Market leaders include Nokia, the diversified Finnish electronics group, Motorola of the US, NEC and Toshiba of Japan, and Novatel, the Canadian

Technophone, based at Camberley, Surrey, was launched 3½ years ago with £3.5m of equity. It employs about 400 people and generated turnover last year of £400m.

The company already has one overseas manufacturing investment in Australia, where it has been forced to set up production lines to meet content regulations.

its decision to chose Hong Kong for the factory is based on a number of factors, including its proximity to both the rapidly growing local market and to the broadly based Far Eastern components industry. Manufacturing costs will also be lower, mainly because of cheap labour. The cost structure will be extremely important in tackling the fixed car phone market, Technophone says, because it is a large volume industry with fierce price

### Rosyth yard to refit

ROSYTH Royal Dockyard has won a £75m contract to refit the nuclear submarine HMS

nuclear sub

The two-year deal comes less than two years after the docks were privatised and management transferred from the Defence Ministry to Babcock
Thorn (now FKI Babcock).
The dockyard, which
employs 5,400 workers, will win extra profits if work is completed below the target cost — and incur losses if the budget is overrun.

Ulster voting poll

A MAJORITY of people in Northern Ireland would consider voting for the main Brit-ish political parties if they organised in the Province. An opinion poll in the Bel-fast-published Sunday Life yes-terday showed 58 per cent would be inclined to vote for the main parties. Support was fairly evenly

Plasterboard appeal

Protestants.

BPB Industries, Europe's biggest plasterhoard manufacturer, has lodged an appeal against a Ecu3.15m (£2m) fine imposed by the European Commission for using illegal means to stop imported Spanish plas-terboard being sold in the UK.

The fine was imposed under Article 86 of the Treaty of

Rome. BPB's appeal has been lodged with the EC's Court of

### meted. The industry, faced with widespread overcapacity, Labour urges scrapping of water sell-off

By Charles Hodgson

THE LABOUR PARTY will today call on the Government to abandon its controversial plan to privatise the water industry at the start of concerted week-long campaign to seize the Tory initiativa on environmental issues.

Mr John Cunningham, Labour's environment spokes-man, has written to Mr Nicho-las Ridley. Environment Secretary, demanding the scrapping of the water hill, which Labour claims threatens consumers and the environment.

Describing the bill as "weak, confused and incoherent," Mr Cunningham accuses environ-ment ministers of failing to answer fundamental questions of future pricing, pollution, water quality and protection for national parklands.

"The creation of large pri-vate monopolies will leave con-sumers no choice and therefore no opportunity to benefit from competition. Indeed the beavy regulation' you envisage is

By Raymond Snoddy

THE GOVERNMENT has received further criticism of its

proposals on broadcasting from

organisations ranging from the British Medical Association

and the Trades Union Congress

to academics from the Centre for Television Research at

Leeds University.

The TUC claims in its evi-

dence to the Home Office, pub-

lished today, that the broad-casting white paper runs counter to the interests of lis-

teners, viewers and madia

workers. It argues that the abo-lition of the Independent



John Cunningham: no choice for the consumer

inconsistent with market forces," Dr Cunningham states.
"It is not necessary to sell off: the water industry and half a million acres of public land... to achieve the better standards which the British people want and our European

ests of viewers first "and then systematically ignores or attacks all aspects of radio and television which now benefit

The BMA is concerned about

tha lack of programming requirements for future inde-

requirements for future inde-pendent television contractors, and about the danger of open-ing the floodgates to pro-gramme sponsorship by com-panies producing harmful products such as cigarettes.

"The BMA believes that there should be programme requirements to safeguard

requirements to safeguard social action broadcasting

across all channels in the face of the possibility that increased competition may

Broadcasting plans criticised

obligations demand," he adds. Boosted by opinion polls that show widespread public opposi-tion to the water bill and concern about broader environmental issnes, Labour is determined to wrest the "green mantle" claimed on the Gov-ernment's behalf by Mrs Margaret Thatcher.

Labour believes that the environment has joined the economy firmly at the head of the political agenda and aims to exploit what it regards as government vulnerability on both counts in the run-up to this summer's local and European elections. Mr Neil Kinnock, the Labour. leader, is to play a prominent

role in what party spokesment describe as a "sneak attack" this week on the Government's environment record Mr Kinnock and other senior party spokesman intend to highlight national and regional environmental issues, concen-trating on water polintion.

the Centre for Television

make life difficult for broad-

casters, whatever the Govern-ment decided. Mr Blumler,

speaking in York on the policy

implications for Britain of the

US experience, said three pre-dictions could be made if the

proposals were implemented

There will be more enter-tainment in prime time, with minority-interest programmes

unchanged.

They plan to counter government attempts to address envi-ronmental concerns this week, abead of the opening in Lon-don next Sunday of a three-day conference on the threat to the ozone layer. Mir Cunningham will call on

Mrs Thatcher, who is to speak at the conference, to use the occasion to press for positive steps to reduce use of harmful chloroftoorocarbon gases.

Mr Gordon Brown, Labour's
treasury spokesman, will publish figures later this week

which seek to show how public expenditure on pollution control and environmental research have been cut under the present government, sup-porting Labour's claim that UK behind those of our European Gounnaity parines.

Mr Brown will also launch a "fair tax" campaign in the run-up to pext month's budget.

highlighting anomalies in the

Investment laws

encounter amphibious obstacle

By Maurice Samuelson

HAD Mr Roy Proctor been born in China, he might have called this the year of the great crested newt. The small, shy amphibian symbolises Mr Proctor's diffi-

culties in running the open-

cuities in running the open-cast mining-business in England and Wales.

British Coal's Opencast Executive, of which he is director, wants to extract coal from the Cutacre tip, near Sal-ford, listed in the Guinness Book of Records as the biggest eyesore of its kind in Europe. Mr. Proctor's propossis. would have cleaned up this ugly relic. But the Nature Conservancy Council, discovering that it was home, sweet home to the newt, prevalled on Mr Nicholas Ridley, Environment Secretary, to block the mining

application. Mr Proctor is revamping the plan so that it provides a built-in freehold for newis. The episode illustrates the frustrations encountered hy the Opencast Executive in obtaining permission for new

The executive, which makes an operating profit of more than £200m, has about 40 sites in production at any one time. They produce 12m-15m tonnes of coal a year and, together with sites in Scotland producing a further 2.5m tonnes, pro-vida one of the cheapest

sources of fuel in Britain. But just to maintain that level of output Mr Proctor requires authorisations for about 12 new sites a year.
Until 1984, applications
enjoyed a 90 per cent success
rate. But in the past few years, refusals have increased and in 1987-88 only five ont of 11 requests were granted. Most of them were for smaller sites, containing only 22 per cent of the total reserves applied for.

There are two main forms of

objection — environmental and political. There is the natural anxiety of local communities about the effect of a large-

scale earth-moving project.

There is also the suspicion in Labour-controlled districts that opencast production is being expanded to facilitate the long-term randown of the underground mining industry.
On both fronts, BC is taking the offensive. On the political and economic front it points out that 15,000 people are employed by its opencast con-tractors and that the coal they produce does not replace Brit-

ish underground production but helps to keep out cheap imports worth £500m a year.
On the environmental question, BC says that, as at Cutacre, its operations are designed to leave their sites more attractive them. more attractive than when the more attractive than when the mining began. "We're really a property developing business," says Mr Proctor. In rural areas, new land is created for farming or for recreation centres and in urban areas, derelict land has been freed for housing, shopping sites, and industrial estates. In Sheffield, opencast mining may give the opencasi mining may give the city land for its first airport.

The executive says: "We are cleaning up the dirty end of the industrial revolution."

Its application rate has started to improve. But in the year of the great crested newt, it cannot yet afford to be too confident.

facing reduced funding.

• Quality will be diluted and UK-made programmes will gradually lose their distinctive. British hallmark.

• The Independent Television Broadcasting Authority and the awarding of franchises to the highest bidder "will ensure that money, not quality, is the primary objective of television companies." force more popular channels to drop all health education programmes if the white paper proposals are implemented."

Mr J. Blumler, director of mass because of different channels. Mr Norman Willis, TUC general secretary, says the white paper claims to put the inter-



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27th February, 1989

### Free houses reject move to buy S&N.

By Lisa Wood

of Scottish & Newcastle Brew-eries, the Edinburgh-based

had no opinion.

Speaking after legal argument concerning the protec-

tion afforded to smaller share-holders by the company's present constitution, Mr Price said there was "no practical chance" of a rights issue

unless arrangements were included to insure that there

was no monetary transfer of

value from ordinary shares to

preference shares.

The statement failed to allay

objectors' fears. Afterwards,

Mr Nicholas Berry, former

chairman, questioned the value of the assurances, since Mr Whittaker had failed to attend the inquiry.

Mr David Crome, the inquiry chairman, said Mr Whittaker's

presence would have shortened

Elders IXI., owner of Courage, aims to introduce its Foster's lager to S&N. Free traders tinct from tenants obliged to tar's lager to S&N. Free traders take their brewer's brands. Of fear that Elders would reduce

The survey was by Millward Brown Market and Social Research. The Monopolies and Mergers Commission is to report to the Trade and Indus-

### regulation to be simplified Research at Leeds, gave a warning at the weekend that multi-channel television would By Heather Farmbrough

MOVES by the Department of Trade and Industry to simplify the regulation of the Financial

Services Act and to reduce the costs of compliance are expec-ted shortly.

That follows the rewriting of the Securities and Investments Board's rule book last year.

Changes to the act - from which the SIB derives its authority - are likely to be made where simplification is proved necessary. That would allow each self-regulatory organisation greater flexibility to draft its own rules. The DTI is understood to be

considering altering the act by amending the Companies Bill, which was given an unopposed second reading in the Lords last month. The moves follow criticism that the costs of com-pliance are placing too great a burden on intermediaries. In November, Mr David Walker, the SIB chairman, set out proposals to simplify the board's conduct of business

Last week, the SIB issued proposals that might save small independent life assur-ance and investment advisers about £2m a year. It wants to drop the requirement for inde-pendent advisers to prepare annual financial statements, undergo Independent audits and a solvency test each year.

### free traders surveyed, 70 per cent said the takeover would MOST FREE trade customers the number of S&N brands. William Younger, the S&N sub-sidiary serving the free trade, offers a wide variety of cut competition or create a monopolistic giant offering poorer service; 13 per cent backed takeover; 17 per cent

brewer, oppose the proposed £1.6bn takeover by Elders IXL, says a survey commissioned by S&N, which brews McEwan's

By Martin Regan

rights issue.

lager. Free trade customers are dis-

A PUBLIC inquiry in Manchester has been given assurances that the Manches-

ter Ship Canal Company will

neither relinquish its Stock Exchange listing nor make a

The assurances were given by Mr Leolin Price, QC, for the company on the last day of a two-week inquiry convened by the Department of Transport.

The department is considering

changes to the company's bor-

rowing powers and board

structure that have been pro-posed by Mr John Whittaker,

the property developer who has been the majority share-

The inquiry had been sought

by minority shareholders.

holder since 1986.

try Secretary on March 9. Ship canal company 'will keep SE listing'

the inquiry. "I can only report to the Secretary of State and allow him to draw his own

issue and would merely serve to satisfy those who were intent on "re-fighting the badtempered takeover battle." Mr Price went on to add that if the Secretary of State thought it proper to limit the

inference," be said.

new borrowing powers within the Harbour Revision Order, the company would still be fully supportive of the order. The question of extra borrowing powers, he said, was a side

Summing up the need for

change, he said: "The constitution of this company is unsuited to business, unsuited to its business and out of line Mr Price argued that Mr Whittaker's presence had little relevance to the main points at

to its business and out of line with what is appropriate for the conduct of business today."

Mr Charles Sparrow, QC, for the objectors, claimed the order was nothing more that an attempt by a property developer to benefit from the property assets of the company. "It is a very practical exercise is a very practical exercise designed to remove control,"

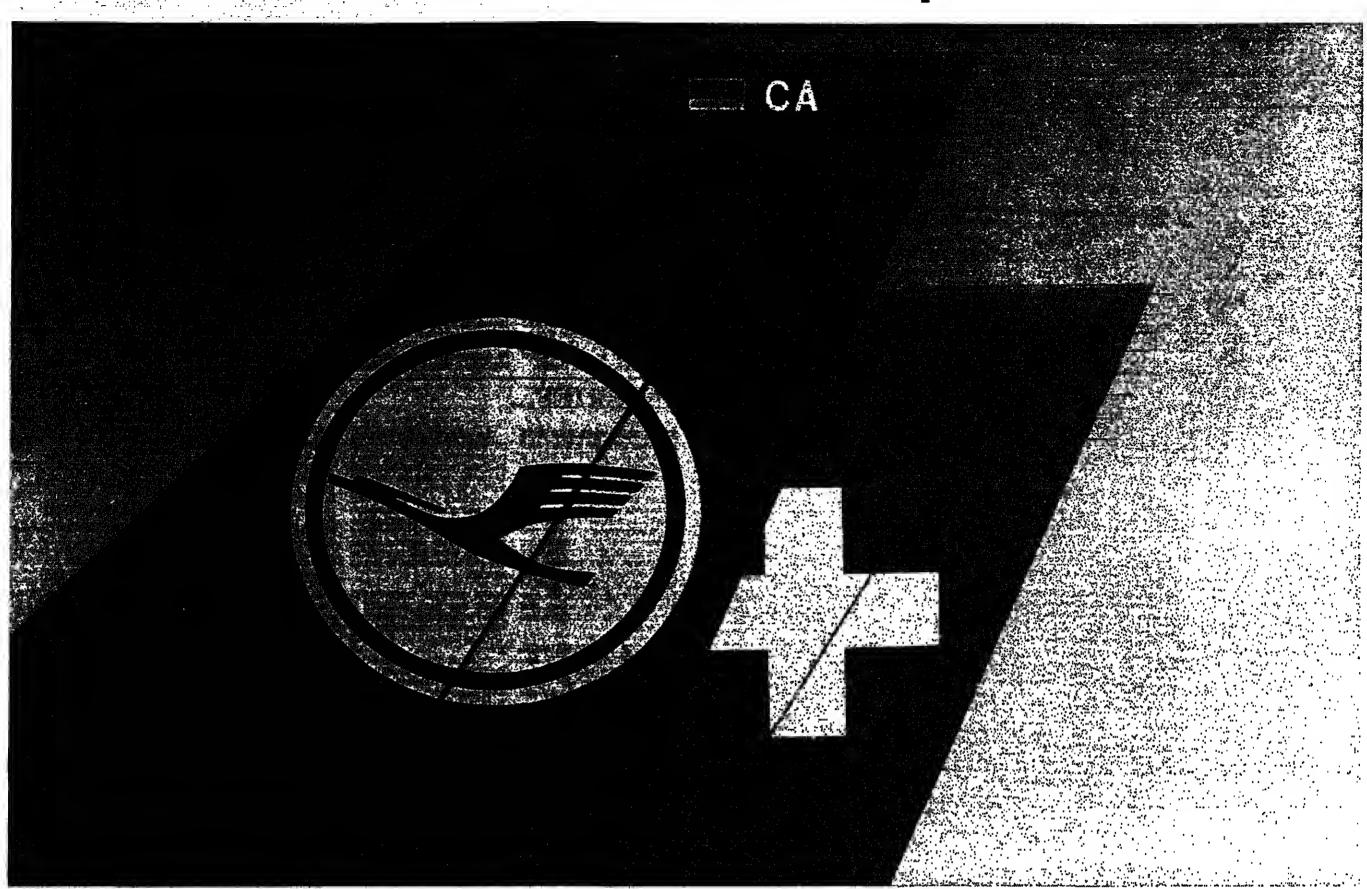
Mr Sparrow was also highly critical of the company's policy of not paying dividends. Mr Crome's report is likely to take months to emerge, as both sides still have further legal documents to submit.

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### **DIARY DATES**

### Trade Fairs and Exhibitions: UK

February 28-March 2 International Powder, Granule & Bulk Solids Exhibition -POWTECH (0883 716244) G-Mex Centre, Manchester

March 7-April 2 "Daily Mail" Ideal Home Exhibition (01-222 9341) **Earls Court** March 12-14

British Footwear Fair (01-739 NEC, Birmingham

March 16-19 Cable and Satellite Exhibition (01-486 1951) March 19-21 International Cycle & Leisure Fair (01-390 2211)

Olympia Olympia

British Institute of Management Exhibition and Conference (0536 204222)

**Wembley Conference Centre** March 24-25 Cash and Carry Fashion Fair Kensington Town Hall, Lon-

March 29-31 Fashion Fabrics Exhibition -FABREX (01-385 1200)

March 30-April 5 **British International Antiques** Fair (021 780 4171)

NEC, Birmingham

Environment: subject, British Waterways Board. Witnesses: Environment Department officials (Room 21, 5.15

### Overseas Exhibitions

February 28-March 3 Computer and Communica-tions Exhibition – MEXICO COM EXPO (01-977 3474) **Mexico City** March 12-18 International Spring Fair (0375 Leipzig

International Footwear Fair-GDS (01-794 0166) Dusseldorf

March 23-28 International Nuclear Technol-

ogy and Instrumentation and Equipment Exhibition - NT & IE CHINA (01-229 2616)

HUISHHOULDBEURS (01-741 4437) Amsterdam

international Household Fair

March 30-April 9

April 4-7 International Airport and Aerospace Engineering Exhibi-tion and Symposium (01-485

### **Business and management conferences**

IBC: Protecting and insuring against country risk in trade The Tower Hotel, London

March 1-2 IBC/Money Management Council: The effects of the Financial Services Act on the Financial Services Industry and the Consumer (01-236 4080) London Press Centre, EC4

March 2-3 The Economist Conference Unit: 1992 and beyood · practical approaches to buman resource and management development issues (01.839

Hyatt Regency, Brussels March 6 Financial Times Conferences: The London Motor Conference Manufacturing, Components and the Aftermarket (01-925

Hotel Inter-Continental, March 10

FINANCIAL

COMPANY MEETINGSDanmens Electrical, Waterished Media Centre, 1, Cencors Road, Belstod, 12,00
Centre, 1, Cencors Road, Belstod, 12,00
Wheevey, Saroy Hotel, Strand, W.C., 11,30
BOARD MEETINGSFinals;
Applevand

CBI: Competitive advantage

Centre Point, London March 14

Institution of Mining and Met-allurgy: Metals 2000 – A defin-itive assessment of trends in the major metals over the next decade (01-580 3802) Park Lane Hotel, London

March 15 PRO NED/Birmingham Cham-ber of Industry: Non-executive directors - a way to building a better business (01-637 2281)

Edgbaston Banqueting Cen-March 20-21 Financial Times Conferences:

Retailing in the 90's - The role of technology (01-925 2323) Hotel-Inter-Continental,

The Institute of Economic Affairs: Tensions and opportunities in Britain's EC relationships (01-799 3745)

Queen Elizabeth Il Confer-ence Centre, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

### PARLIAMENTARY

Commons: Debate on agricultural prices. Motion on EC document relating to Community strategy on formal munity strategy on forestry.

Lords: Law of Property (Miscellaneous Provisions) Bill, Third Reading. Security Ssr-vices Bill, Second Reading. Junior Hospital Doctors (Regulation of Hours) Bill, Committee. Question to Government on White Paper Employment for the 1990s"

Select Committees: Public Accounts: subject, Bus fuel grants; Road maintenance backlog. Witness: Sir Alan Bai-ley, Department of Transport (Room 16, 4.30 p.m.)

Commons: Debate on Royal

Lords: Prevention of Terrorism (Temporary Provisions) Bill. Committee. Select Committee: Members' Interests: subject, parliamentary lobbying. Witness: GEC (Room 15, 4.30 p.m.)

Wednesday

Commons: Debate on Welsh Lords: Debate on food pro-duction. Question to Govern-ment on inquiry into Thames

Television programme Death on the Rock. Select Committees: Foreign Affairs: subject, Funding for overseas students. Witnesses: Foreign Office and Overseas Development Office officials

(Room 8, 10.30 a.m.)
Trade and Industry: subject Privatisation of Girobank.Witsses: Post Office and Girobank officials (Room 15, 10.30 Public Accounts: subject,

Sports Council. Witness: Sir Terence Heiser, Department of Environment (Room 16, 4.15

Transport: subject, Roads for the future. Witnesses: Mr C. Buckmaster, British Aggregate Construction Materials Industries. (Room 17, 4.15 p.m.)

### Thursday

Commons: Debate on housing. After 7 p.m. debate on EC doc-uments on annual report from European Court of Auditors for 1987 and related matters.

Lords: Companies Bill, Committee. Police Officers (Central Services) Bill, Second Reading.

Friday Commons: Private Members Bills.

### CONSTRUCTION CONTRACTS

# Orders continue to rise

Construction

£ billion (1985 prices)

new orders

12

By Andrew Taylor, Construction Correspondent

A £30m construction contract for a joint Marks & Spencer and Tesco development, to be known as "The Meadows", in Sandhurst, Berkshire, has gone

that contracts worth almost £20.7bn at 1985 prices were placed with contractors last year. This compares with orders worth 219.7bn in 1987.

in current prices rose from 222.1bn in 1987 to 226.3bn. Since 1985 the volume of orders won annually by con-tractors working in Britain has risen by more than a third.

increase sharply in the final three months of last year. Orders during the final three months were 10 per cent higher than during the previ-ous three months and 23 per

landscaped areas of the site.

Associated with the development is about one kilometre of road works, together with a roundabout system at the access to the site from the A20. Work began in November 1988 and is due for completion in February 1990.

### Fitting out York store development

Berkshire

complex

to KYLE STEWART.

The development comprises

two stores, each of 100,000 sq

ft, linked by an eight metre

atrium wth a restaurant on ground level. Construction is

of steel frame with brick clad-

ding and Alukabond facias and

pitched tiled roofs. External

works comprise extensive land-

scaping and parking for 2,200

The site is beside the River

Blackwater and special provi-sions have been agreed with the Thames Water Authority

to raise the level of the site to

avoid flooding. Special provi-

sions were made in tha removal of topsoil, including

some rare flora, to the new

WIMPEY CONSTRUCTION UK has been awarded contracts totalling more than £8m.

Marks & Spencer has awarded a management contract for fitting-out its newlyextended store in the Copper-gate Centre, York. The fourmonth contract includes fitting-out the basement; provi-sion of a ground floor food hall; first floor furniture and homeware shop; and backstage areas for stock holding and staff facilities.

A fast-track management contract has been awarded by Teesside City Technology Col-lege for the £4m Macmillan College in Stockton Road, Middlesborough, a comprehensive secondary school. Work com-prises refurbishment and structural alterations to the college, a two and three-storey extension of 3,750 sq metres and a link hridge. The 12-month con-tract includes science laboratories, a lecture theatre, craft areas and computer rooms.

### Submarine base

A. MONK & CO has been awarded a Property Services Agency contract at the Clyde submarine base, Faslane. Worth £14m, it provides for the refurbishment and extension of workshops in the naval technical department. Over 100 jobs are expected to be created during the three-year programme, due to start next month. Work is expected to completed by

TOTAL ORDERS received by contractors for construction work in Britain rose by 5 per cent last year, according to the Environment Department. The latest order figures produced by the department show

British construction orders

The department's figures show order books continued to

Designed by PSA (Wales) architects, it comprises three levels: car parking is in the basement and the three court

1985 1986 1987 1988

cent higher than in the corres-

ponding months at the end of

The increases are in line

with recent forecasts which

expect construction output to

rise by a further 3 per cent to 4

walls and slabs on piled foun-dations. The reinforced con-crete/concrete block walls will

The biggest increase in

orders last year was for private commercial work where the

value of contracts at 1985

prices rose by 24 per cent.

Comparisons on industrial

orders were distorted by the

inclusion of the entire Channel tunnel in 1987 figures, even though the work is not due to be completed until 1993.

Private industrial orders dur-

ing the final three months of last year provide a better guide

to recent trends. These show

orders 19 per cent higher than

in the previous three months

Private housing orders

of 1987.

### **Crown Courts in Newport**

per cent this year

ALFRED MCALPINE CONSTRUCTION South Wales region has been awarded a £7.24m contract by the Govern-ment's Property Services Agency (PSA) to build Crown Courte in Newport Greent The Courts in Newport, Gwent. The building will be sited in front of the Newport Civic Centre.

rooms with additional accomodation are on first and second floor levels. The building is to be constructed as a reinforced concrete frame with retaining be faced in Portland stone and the main roof will comprise "Broderick" cladding supported on steel trusses. The project will be supervised by Property Services Agency, Wales

### IN BRIEF...

SIR ROBERT MCALPINE SONS has been awarded a £13m con-tract by Unisys UK to build a warehouse/office block at Milton Keynes that will be used as

a logistics centre.

The building, with a total floor area of 21,500 sq metres. will contain 12,000 sq metres of office accommodation over two floors with the remaining space providing a single-storey warehouse. Work includes the installation of two lifts and ser-vice boists, the provision of full canteen facilities, the construction of main access and service roads and extensive landscaping.

NORWEST HOLST MANAGE-MENT CONTRACTING has won an £8.5m contract for a eisure pool, to be built on the former Benskin's Brewery site in central Watford.

The project, for the Borough of Watford, will include the construction of a 1000 sq metre freeform leisure pool with two 12 metre high flumes together vide access for heavy goods to the centre. Work has started and the with a 25 metre long, six-lane competition pool, a learners' pool and a health suite. Cater-

together with car and coach parking Work began in Janu-ary and is scheduled to last 15 JOHN DOYLE CONSTRUC-TION has been awarded a £7.1m substructure contract for

ing and spectator viewing facil-

ities will also be provided

the Howard Centre complex at Welwyn Garden City, Hertford-This first phase of the devel-opment is for the construction in reinforced concrete of a deep basement and underground

service road, which will pro-

÷.

vehicles and public transport

mpany is working to a fasttrack programme to complete in 29 weeks.

Kent County Council has awarded FAIRCLOUGH CIVIL ENGINEERING a £5.5m contract for highway improve-ments in Maidstone, a two-year project. It entails constructing a tkm highway link of part wide single and part dual-carriageway between Mote Road and the A249 road to Sitting-bourne, with a gyratory junc-tion where it crosses the A20 to Ashford plus a 120 metre long by 25 metre wide multi-span reinforced concrete viaduct on piles, over the River Len valley. Completion is pro--grammed for November 1990.

### CRENDON Hi-Spec Structures for Hi-Tech Industries CRENDON STRUCTURES LIMITED Long Crendon, Aviesbury, Bucks. HP18 958

HP18 986 Tel. Long Crendon (0644) 208481 Fax: (0844) 201622 Telex: 83249

### Building Stansted **Airport** rail tunnel

and 41 per cent higher than during the final three months Excavation work has started on the 1.8 kilometre-long tunnel which will carry ths Stansted Airport rail link beneath the Essex airport's increased by 4 per cent last year while public housing orders fell by 10 per cent. Pub-lic works orders, other than housing, rose by just over 1 per main runway and on to the new passenger terminal, scheduled to open in 1991.

The work is being carried out by tunnelling specialists, JMURPHY & SONS, under a contract worth more than film, using a giant full-faced tunnel boring machine specially brought in from Singa-

Working round-the-clock and tunnelling at an average depth of nine metres under the runway, the 6.08 metre diameter single-track tunnel will be completed by the end of June

Construction of the rail link involves building a 5.4 kilo-metre stretch of railway from the London/Cambridge main line terminating in a three-platform station beneath the concourse of the new airport

### Office facilities in-Woodford

The DEW GROUP bas won orders totalling more than £23m in the last four months. Among the awards are a £7m design and build project for an engineering and design block for British Aerospace at Woodford consisting of 180,000 sq ft steel-framed three-storey brick and metal clad office block, air-conditioned with tinted double-glazed windows; a chemical production building for Courtauld Engineering worth £2,27m; and a phase 2 factory extension for British Vinegars valued at £2.22m.

### CONTRACTS & TENDERS

### REPUBLIC OF THE IVORY COAST

Tender No. 2920/DMP

The National Telecommunications Office of the Ivory Coast has obtained a loan from the IBRD, in various currencies, to finance the cost of the project concerning the refurbishing of the equipment and the strengthening of the maintenance of services.

It is planned that a portion of the funds granted for this loan will be used to carry out payment for a project covering the supply and installation of a system for the control of the radio-electric programmes on the Ivory Coast.

2. The National Telecommunications Offices invites, with this Tender, those candidates who are allowed to take part to present their bids under sealed envelope for the supply and installation of a control system of the radio-electric programme within the N.T.O.

3. The candidates who are allowed to bid can obtain further information and examine the Tenders files in the Office of the Chef de Services des Marchès, located on the 12th floor of POSTEL 2001, door 12-07. Phone: 34.67.61 or 34.66.12 - Telex No. 23790 or 23750. ABIDJAN.

4. Any candidate who is allowed to bid and who is interested in the present Tender can buy a complete set of Tender documents, by writing to the above-mentioned Department, or after consulting the Charge Books, for a payment of around 200,000 CFA francs, which will not be paid back.

5. Each bid must be accompanied by a deposit on tender of 1.5% of the total amount of the bid. This deposit must be put forward at the same time as the Bids to the Services des Marchés, Immeuble POSTEL, 2001, door 12-07, ABIDJAN-CI at the latest on the 13th of March 1989 5.00 p.m. imperatively.

6. The files will be opened in the presence of the bidding representatives who wish to be present at the opening on the 14th March 1989 at 3.00 pm at La Rotonde de la Cité Financière, in ABIDJAN-PLATEAU.

### MORAY DISTRICT COUNCIL APPROVED CONTRACTORS LISTS Local Government Act, 1988

CAPITAL BUILDING WORKS

Moray District Council are revising their lists of Approved Contractors. Experienced General Contractors and Specialist Contractors wishing to be considered fro inclusion on these lists should apply in writing for an application form for "CAPITAL WORKS" to :-

Director of Housing and Technical Services, Moray District Council, High Street, ELGIN, IV30 1BX.

Telephone enquiries may be made to: The Principal Quantity Surveyor, District Headquarters, Elgin. Telephone Elgin 3451 Extension 2218.

Contractors who are on the current lists and who have previously submitted tenders have already been issued with the appropriate form.

Completed applications to be lodged by 31st March 1989.

### **COMPANY NOTICES**

Industrial Bank of Finland

Limited UA 15,000,000

7 % 1978-1993 Guaranteed Bonds On February 14, 1989, Bonds for the amount of UA 1,500,000 have been drawn in the presence of a Notary Public for redemption on April 5, 1989. The following Bonds will be redeemable coupon due April 5, 1990 and

7510 to 8020 incl. 8025 to 8244 incl. 8247 to 8327 incl. 8333 to 8336 incl. 8350 to 8363 incl. 8369 to 8373 incl. 8763 to 8781 incl. 8387 to 8395 incl. 8398 to 8662 incl. 8664 to 8716 incl. 8720 to 8734 incl. 8790 to 8863 incl. 8868 to 9037 incl. 9040 to 9099 incl. Amount outstanding: UA 6,000,000 Bonds previously drawn and not yet presented for redemption: 791

1329 to 1415 1432 1447 to 1496 to 1501 to 1577 1348 incl. 799 to 801 Incl. 817 to 846 incl. 860 and 861 950 to 955 incl. 1010 to 1028 Incl. 241 to 243 incl. 307 and 308 1456 incl. 950 to 955 incl. 1010 to 1028 incl. 1061 to 1066 incl. 1499 incl. 401 to 412 incl. 417 to 431 incl. 445 to 448 incl. 487 to 506 incl. 530 to 533 incl. 542 565 to 569 incl. 576 and 576 579 to 588 incl. 631 to 634 incl. 647 to 650 incl. 1503 incl. 1650 and 1651 1672 1068 1112 to 1115 incl. 1700 and 1766 to 1837 to 1852 and 1151 1213 to 1215 incl. 1225 1233 1242 1769 Incl. 1846 incl. 1853 1242 1880 to 1882 1294 to 1296 incl. 10002 1882 1298 and 1299 14647 and 14648 1305 to 1312 incl. 14651 and 14652 14701 to 14703 1880 to 1882 incl. 692 709 to 730 incl. 753

Listembourg, February 27, 1989



The Fiscal Agent KREDIETBANK S.A. LUXEMBOURGEOISE

THE COLNE VALLEY WATER COMPANY

Books of Ordinary and Preference Stocks will be closed for one day only on 5th March 1989 for the preparation of Dividend Warreints payable on 1st April 1989. Deted this 27th day of February 1989

COTICE IS HEREBY GIVEN that the Transfe

Aldenham Road Watford, Herts

WD2 2EY

### LEGAL NOTICE

DANISH BANKRUPTCY

ESTATE

S P.V. Christensen, the Maritime and Commercial Court of Copenhagen, Probase Civision, has decided, pursuant to Danish benjouptcy tow act 134.2, they the last day of which claims may be admitted shall be the 1st of May 1989. Claims are to be sent before this date to the following address;

> Henrik Anderson Esq Vestagervel 5 2100 Copengagen & Denmark

RENTALS

Secretary

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8

### Bensons Crisp Commercial B Cooper (Alan) EFT Norton Povusir Sedgwick Serco Suier UTC Updown Inv. Wates City of London Props. Interime; Allied Reglaurants Armitage Bros. Manganese Bronze Thornsons DIVIDEND AND INTEREST PAYMENTS-Bank of Montreal Sicts Banque Nationals De Paris 95gc 1993 Finlan 2.2p GMAC, Australia (Finance) 124pc Na 1991

Finian 2-2p
GMAC, Australia (Finance) 1214pc Nta 1991
61pc
Health Care Services 0.3p
Jersey Electricity "A" 18p
Morgan Gendel FRN's 5488.19
Neotronics Technology 1.2p
Norsk Hydro AS 9pc Mts. 25/2/94 4.5pc
Filchards 2.8p
Settler (Martin) 0.5p
Southern Business 3.5p
TSB Channet Islands 2.88p
TSB Grp. Var Rate Sub Nts. 2008 5322.84
Waveriey Cameron 0.3p
TOMORROW
COMPANY MEETINGSHawtin, Pembroke Hotel, Stackpool, 11.00
Manchester Ship Canal, Lesser Free Trade
Half, Peter Street, Manchester, 2.50
Telecomputing, 244, Barn's Hotel, Oxford, 11.00
Wildows General Hotel, Hitch Street, Soli-

Telecomputing: 244. Bern's Hotel, Oxford, 11.30 Widney, George Hotel, High Street, Soll-hull, 3.00 BOARD MEETINGS-Hander, AMS Inds. AMS Inds.
Chiertein
Cityrteion
Conroy Pet.
First Scottish Ameri
McAlpine (Alfred)
Pacific Assets Tat.
Pickwick
Ruo Estates
STC
Stat-Plus
Termoleton GelBratif

Templeton Galibraith Unitever Unitever NV Chambers & Fargus

Cornwell Parker Goodwin Greenwich Centitis Highpoint
Murray Income Tet.
OIVIDEND AND INTEREST PAYMENTS-Alinat London Props. 1012pc Mig. Deb. Alinst London Props. 1012pc Mig. Deb. 1894/95 51; pc
Archer (A.J.) 4.25p
Audins Bros (Hostery) 51; pc Pf 1.925p
Autemated Security 5pc Pf 2.5p
Bank of Tokyo (Curacao) Gad FF91; 1990
E6693.8
Bankers Inv. 1st 0.66p
Blackwood Hodge 9pc Pf 3.279p
Blody Shop Ind. 1.35p
Burmah Oil 8.2pc Ln 1991/96 4pc
Catter Allen Equity Growth Fd. 33p
Catter Allen Equity Growth Fd. 33p

Cater Allen Income Fd. 30p Cater Allen US Dollar Ins Fd. 15cts Cigns O'sess Finance NV 13pc Ln 2006 7.50c Glarke Hooper 1.45p Commerchark O'sear

Commerciant Capes Finance FRN's 1989
3237-30
Cook (O.C.) 1.33p
Creditanstalt Bankversin Sub FRN's 1996
3220.06
Danse Inv. Tet 3p
Dennista Electrical 3.05p
Derby Tst. 9.823p
Dorninion Ind. 2.8p
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Dorninion Ind. 2.8p
Ecclesiatical Hidge. 13pc Deb 2016 612pc
Electric de France 1212pc Ln 2006 64spc
Electric de France 1212pc Ln 2006 64spc
Escalibur 11.5pc Pf 5.75p
First Cricago O'seas Filance Old FRN's
1904 5242.19
Foster (John) Spc Ln 1966/82 412pc Poster (John) Spc Ln 1986/82 4 2pc GPC 0.64p Gateway 3.5p Gateway 3.5p Gissgow Income Tat. 0.4p Great American First Savings Bank. 15cts Great Western Resources Cless A 3p Do Class B 3.45p Halliax B. 3. FRINT 1985 (Ser. A) 150.55 Hambro Eurobond & Money Market Fd. Mngd. Fd.) 16.7p

Halltax B. S. FRN's 1988 (Ser. A) 550.65
Hambro Eurobond & Money Market Fd.
(Alngd. Fd.) 16.7p
Do. Stg. Eurobond Fd. 18.7p
Do. SS Eurobond Fd. AS1.34
Do. NZS Eurobond Fd. AS1.35
Do. CS Eurobond Fd. CS0.85
Do. Yen Eurobond Fd. CS0.85
Do. Yen Eurobond Fd. CS0.85
Do. Stg. Money Market Fd. 50
Do. USS Money Market Fd. 57.9cts
Do. AS Money Market Fd. 57.9cts
Do. AS Money Market Fd. AS1.4
Do. CSM Money Market Fd. CS1.35
Do. CS Money Market Fd. CS1.35
Do. CS Money Market Fd. CS1.35
Do. CSM Money Market Fd. CS1.35
Do. CSM Money Market Fd. DM0.61
Hanover Druce 64 pc Pf 2.375p
HII Samuel Finance SV FRN's 1996 \$464.45
Raly (Feb. of) FRN's 2005 CZ-43
Kenyon Securities 29
Kolemyort, Bentson Gilt Fd. 32.69p
Koree Exchange Bank FRN's 1994 £166.44

Karryon Securities 29 Kleinwort, Berean Gilt Fd. 32.69p Kleinwort, Berean Gilt Fd. 32.69p Koree Exchange Bank FRN's 1994 £185.44 Kynoch (G & C) 3.1p Investments NV Gd FRN's "A" 1967 \$49.75 Lloyde Bank Prim Cap FRN's (Ser 2) M2.18 Lloyds Bank Prim Cap FRN's (Ser 2) \$242.19

Do. Prim Cap FRN's (Ser 3) \$460.57

London 6 Crydeside 49

London 6 St. Lawrence Inv. Spc Pl 1.75p

London 6 St. Savences Inv. Spc Pl 1.75p

M 6 G Gold 8 General Fund 0.2p

Manufocturers Hanover O'seas Cap Gd

FRN'S Aug 1956 \$2286.33

National Australia Bank Fftg Rate/Fligh Initial Spread Nts 1963 \$631.94

NatiVest Bank 7pc Pl 2.45p

Do. Prim Cap FRN'S (Ser C) \$260.63

National Australia Bank Fftg Rate/Fligh Initial Spread Nts 1963 \$631.94

NatiVest Bank 7pc Pl 2.45p

Do. Prim Cap FRN'S (Ser C) \$260.63

National Spread Nts 1963 \$63.24

Next 74 pc Deb 1967/92 3\*3pc

Do. 7pc Deb 1986/81 31-pc

Caprey Comma. 1.2p

Partiand Tausile 4.2pc Pl 2.1p

Pavion Intl. 11pc Ln 1986/2002 51-pc

Potry Pack Intl. 5p

FPH Deb 1962/96 4pc

Do. 7pc Ln 1987/82 3\*3pc

Do. 8pc Ln 1869/2004 4-pc

Do. 4\*2pc Uns Ln 2004/06

Resort Hotels 0.2p

Royal Bank of Canada Flig Rate Debs 2005

E72-43

Second Market Inv. 2\*2pc Ln 1.25pc

Security Sarvices Inv. 2\*2pc Ln 1.55pc

Second Market Inv. 2<sup>1</sup>2pc Ln 1,25pc Security Services 4<sup>1</sup>2pc Pf 1,575p Standard Bank Imp & Export Fin Gtd FRN's 1992 C165.67 TR Australia Inv Tst 7pc Oab 1997/2002 TR Australia inv Tst 7pc Deb 1997/2002
31pc
TR City of London Tst. 0,77p
Do. Spc 1st Pf 2.1p
Do. Spc 2nd Pf 2.1p
Do Pfd 7p
Templa Bar Inv. Tst 6pc Ln 2002 Spc
31 67 pc Ln 1992/97 4,4375pc
Tilling (Thomasi 8pc Deb 1985/90 4pc
Trans-Natal Coal Corp Uns Sub Deb (Irrd)
6.35o Triplevest 7-3 pc Deb 1987/91 5/2 pc Waverty Cameron 7.5p Pl 2.8767 ip Wells Fargo FRN's 1992 \$72.72 Do. FRN's 2000 \$72.82

Sailey (Ben) Construction

Bailey (Bert) Communication
Polyphip
Scottish English & European Textiles
DIVIDEND AND WITEREST PAYMENTS
Abardeen (City of) 10.5pc 2011 S.Apc
Ahmerson (H.F.) 22cts
AMAX (Dots
Amarican Brands 61cts
Am. Gen. Corp. 37.5cts
Assrcc 30cts
Prittel Rayphone 51spc Pf 2.825p
Buttato 6 Lake Huron Relivery 51spc Mig
Bid 21spc Bde 21 pc Do. 51 pc 2nd Mtg Bde 21 pc Church (Charles) Deve. 9.375pc Pf

Church (Charles) Devs. 9.375pc Pf
2.7143555p Estates 0.67p
City Silve Estates 0.67p
City Silve Estates 0.67p
City Silve Estates 0.67p
Carke, Neckolls & Coombs 812pc Ln 1957/
92 44pc
Corp of London 312pc Deb 1963/93 1.75pc
Deres Estates 7.75pc Pf 4.263549
Des 1.5pc
Estat Suseen Wester 2.5pc Pro-Pf 1.4p
Do. 4pc Core Deb 1704.2pc
Do. 7pc Deb 1999/93 312pc
Do. 7pc Deb 1999/93 312pc
Do. 7pc Deb 1999/93 312pc
Do. 10pc Deb 1969/93 3pc
Do. 10pc Deb 1969/93 3pc
Dectric & General Inv Spc Deb 1969/94 3pc
Fleming Mercantile Inv. Tst. 312pc Deb
1960/95 1.4pc Electric & General Inv 3pc Deb 1988/94 Spc Fleming Mercantille Inv. Tst. 3½pc Deb 1980/95 1½pc Ford Motor 75cts Gold Fleids Property 4,72255p Howden 142p Ingeracti-Rand 25cts Inst. Income Prop. 27cts London County 2½po Cons 1920 (or after) 1,25pc

26pc Do. 3oc Cons 1920 (or after) 1.5pc Low & Bonar 5pc Pf 2.1p Low & Bonar Bop Pf 2.1p
Do. 6pc 2nd Pf 2.1p
Do. 5pc 3nd Pf 1.825p
Lucas Inde. 61pc 1st Pf 2.275p
M & C General Trust Pd. 13.25p
Met. Water 3pc 9 1984/2003 1.5pc
Mortle Ashby 1.7p
New With 3.541913p
Norfolik House 2.825p
Normans Group 1.05p
Oldbern Met Borough Council 11 1, pc 2010
5 pc

5 apc P & O 5 2pc 2nd Deb 1.75pc

84 pc Vogeletruisbuit Meter 8.8477p Witen Invs. Spc Dab 1995/88 4pp THURSDAY MARCH 2 COMPANY MEETINGS. Author Associates, Severy Hotel, W.C., 11.00 Colorviation, Perdio House, Woodend Avenue, Spoke, Liverpool, 10.45 Polity Peck Ind., Browne' Hotel, Dover Street, W., 10.00 e-only Pack Ind., Br Street, W. 10.00 BOARD MEETINGS-Floods, Cadbury Schweppes Covice (T.) File Indiger Freeman Freeman
Hampden Home Care
blurray Int. Tst.
Pittard Garner
Royal Dutot Petroleum
Spiell Trains.
HYPP
Baterlasq
(Gelmont Benson Int. Income Bd.
Blacto 4

Macro 4 DIVIDEND AND INTEREST PAYMENTSM & G Dual Tel 25p
Widney 0.3p
COMPANY MEETINGSAlexanders, 154 Fountainbridge, Ediaburgh, 12.00
Paccacity Radio, Proceedings ourgn, 12.00 Piccaciny Radio. Portland Hotel, Piccadilly Gardens, Munchester, 12.00 BCARD MEETINGS Panele: Angle American Gold Core. Plantations Berhad Material Cora. Planstons Berned
Mathemat
DIVIDEND AND INTEREST PAYMENTSBritish Alrways 10pc Bds 1968 5pc
Colorvision 3.8p 10pc Bds 1968 5pc
Colorvision 9pc 2000 4.8pc
Euthor Dust Inv. Tst. 1.75p
Flescher King 4.3p
Gleine 2.5cts
Telephone Corp 91 pc No. 1965 4.8pc
Norway (Kingdom of) 81 pc No. 1969 4.8pc
Sheabach Porp. Tst. 0.1p
Vibroplant 1.02p
Westpool by Tet. 0.35p
SATURDAY MARCH 4
BOARD MEETHINGS—
Intertines

MORGAN STANLEY SICAY

The Board of Directors has decided to offer Shanes in class E. Morgan Stanley Siest Patrimony Fund, to subscribers. The initial offering period will run from March I, 1989 to March 13, 1989. During that mittal period Shares will be available at a price of USD 1,000 plane a placing fee of up to 5%. As from March 14, 1989, Shares in that class E, will be said at a price corresponding to the net asset value per Share plus a sales commission to sales agents of up to 5% of the net asset value per Share.

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interime; Sime Darby Berhad

avid Clement stands in one of the cavernous, near empty fac-tory buildings on the mige Aveling Barford production site and contemplates what befell the company where he has worked for 28 years. "If you ask me who did the most damage here, management or unions, you would have to say

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it was just about equal."

The earthmoving equipment maker, famous for its hig dump trucks, is a classic study in the terrible things a management can inflict on a business. Along for the ride went the grip of restrictive trade unionism

which filled the vacuum left by incompetence at the top.

Aveling is also a symbol of rebirth. Since what was the UK's biggest construction machinery producer slid into receivership last June, a man-agement buy-in team has moved on to the 67-acre site at Grantham, in Lincolnshire. About 300 workers have been re-recruited, including Clement

as fabrication shop manager.
With products ranging from a £27,000 road roller to a £195,000 dump truck, the new company expects to do at least £25m worth of business in its

first full year.
"In no circumstances will I fail," says a very confident Duncan Wordsworth, former head of European operations at Coles, the mobile crane maker, and chairman of the new busi-ness. Wordsworth holds 83 per cent of the shares in Aveling

Barford (Machines).

The demise of the old Aveling is a sad affair, compounded hy the questions still unresolved in the small Lincolnshire town as a police fraud team continues its investigation into a large shortfall in the old company's pension

With its roots going back to 1867 when the former Aveling & Porter supplied the world's first steam-powered road roller. Aveling was the UK's biggest construction machinery supplier when British Leyland absorbed it exactly 100 years

Aveling was none the less a small supplier compared with monster companies like Cater-pillar of the US. But it was a substantial producer of rigid-bodied dump trucks, graders, and road rollers, with a work-force of 3,000 and some big contracts under its belt or about to be signed, including one for

Egypt's Aswan Dam project. From the arrival of BL in the massive and disastrons restructuring of the UK's vehicle and mobile equipment industry, Aveling was plunged **Aveling Barford** 

### How the earth shifted under a dump truck maker

Nick Garnett on the buy-in team's hopes for reviving the troubled UK company

on a downward course. "The British Leyland period was pretty well a total dises-ter, says Steven Dexter, production manager of the new company. "They did a lot of damage to this company," says Clement. "People became num-bers under British Leyland." says John Twycress, the new company's workshop manager and an Aveling employee for 26 years. Teople used to be proud of working here. But this was a totally different type of busi-ness from what Leyland was used to. It was very unfortu-nate."

The state-owned group did some positive things. It intro-duced new dump truck models, for example, and forked out com on a new assembly shop. But in an industry where attention to shifts in equip-ment requirements and a flerce commitment to stay in the business are essential for sur-vival, this was not good

enough.

The industry was then moving away from rigid to articulated dump trucks, from static to wibrating road rollers and competitors were developing more advanced graders and wheel loaders. It all passed BL by. "It used Aveling as a man-agement training ground," says Dexter. He felt there was continuity.

Aveling got caught up in the tidal wave of shop floor demarcation and restrictive practices which swept through UK industry. Nowhere was it more widespread than in British Leyland factories. "With weak management you got labour power," says Twycross. By 1983, after a world slump

in machinery purchases, BL was ready to throw in the towel and shut it all down. At towel and snot it all down. At that point, in came the curious pairing of K.T. Lee, a member of a wealthy Singapore trading family, and Adrien Eschallier, a Philadelphia attorney. It was under their leadership that the company finally bled to death. This period was not all bad. These two men, with Lee hold-ing the majority stake, pured a company no one else wanted. They kept it going for



The introduction of a 55 tonner has been achieved through ne re-engineering and a larger cab and engine

Aveling's bankers, the com-pany had been humiliated and broken. The 600,000 square feet

of covered space housed less than 900 employees.

Potential asset strippers were sniffing around the site.

which Aveling has on leases of up to 21 years at peppercorn rent, but the receivers wanted

to sell it as a going concern. Wordsworth, a sharp dressing, Jaguar sports-car-driving 48-

year-old was looking for a com-pany to buy, having attempted

to mount a management buy-

out at Coles some years earlier.
"After that you never feel comfortable. I was left with this feeling that I should have owned Coles."

The Newcastle branch of the Bank of Scotland provided the bulk of the finance for the pur-

chase cost of just over £10m.

Wordsworth and his partners threw in virtually all they had

but the company still has enormous capital gearing. The main partner, Stephen Lovely, the 35-year-old head of a ven-

ture capital operation in Coles' home town of Sunderland has

13 per cent, the remainder held

by another former Coles man-ager and Wordsworth's

Sales of at least £25m were projected for the first year in the three year business plan

with flat sales but rising profits for the next two years and

with some of the debt cleared.

The plan also included an

five years. They also bought the manufacturing rights to the Norwegian Nordstrom articulated-dump truck in a belated move to catch up with the market

But the fact is that Lee lived in Singapore and Eschallier in Philadelphia and neither spent enough time on site to provide the necessary management

clement says Eschallier was brimming with ideas but never stayed long enough to push any through. "The worst time in the company's history was the last five years," says Twycross. "People here thought there would be a big change but nothing really happened. They just sat on it and did They just sat on it and did nothing so the business got worse and worse."

The company was further stricken when payments from China for a big dump truck contract there were halted because of foreign exchange difficulties. The .company barely made any profit through the 1980s. The new company says the accounts showed it made a loss of £7m on sales of £35m in its last financial year. In the 18 months before the

company went under, the workforce complained that detailed drawings for dump trucks and other products were being removed for the purpose, they believed, of starting production outside the UK. When the receivers were called in by intention to double the output per man achieved by the old Aveling before its death.

The purchase was met with a lot of scepticism from the construction machinery industry, not least because the industry expects overall equipment demand to peak soon.

Some said the new company would fail. It has certainly had to do a lot of work persuading potential buyers that it means business - a lot of customers have toured the site since the

But benefits of the new management are already appearing. Restrictive practices have disappeared. When the company went into liquidation there was even demarcation between welders on the thick-ness of plate they were allowed to work on.

Some 26 tonnes of waste metal that had accumulated was removed. The stores and spare parts operation, a poten-tially lucrative business servicing vehicles already in the field have been streamlined. "The ability to have a part ready for delivery the same day of order was only 65 per cent. It is now 86 per cent and should be in the low 90s," says Wordsworth. The company has been heartened by a single order for

ten dump trucks to be used in a Cornish clay mine and has already begun rationalising products, with even more concentration on dump trucks. Aveling is getting out of wheel loaders, small graders and vibratory rollers - though not static rollers. The overall

market for vibratory machines has grown at the expense of static rollers hut Wordsworth says demand has picked np recently for the statics. "We sell a hundred a year; there is no extra engineering to do on it and we make a return, so why not produce them?"

The dump truck range has heen slightly broadened and increased by 5 tonnes in carrying capacity with the introduction of a 55 tonner, achieved hy some re-engineering, a larger cab, and dropping in a larger Cummins engine compared with the 50 tonner.



Wordsworth: "In no circumstances will I fail

The four wheel drive Nordstrom artic is being abandoned. Instead, the first models of Aveling's own six-wheel drive artic design - already pre-pared before the buy-in - have been assembled to replace it.

"We will take soon the stra-tegic decision whether to huld a larger rigid or a larger artic," Wordsworth. Development of the artic will bring Aveling into confrontation with other very determined artic builders, like Volvo, Brown International with its Moxy range, DJB-Caterpillar

and Terex.
Wordsworth is confident the new trucks and a more deter-mined effort to expand exports (currently 40 per cent of sales with a target to raise it to 60 per cent), and to take the European market more seriously will compensate for the widely-expected market downturn. Someone will have to make room for us," he says.

The new chairman developed a rather hard, no nonsense reputation at Coles, For some people it apparently verged on the authoritarian, "If you don't do what you are supposed to do now you had better watch out," says one of the shop floor hands at Aveling.

The new management structure is very centralised but it is simple. "The idea was to keep the structure flat. If you end up with too many levels

you are in danger of not know ing what's going on in the husiness," says John Fishwick, a shareholder and operations director at the new company and a former manager at Coles. Five directors, for UK sales,

exports, operations, finance and site management report directly to Wordsworth. Some of these directors have no managers under them. A meeting of all directors and managers - a group of about twelve - is held every morning in Wordsworth's office.
All members of the work-

force, grouped into teams, are briefed by their section heads at 8 am on what arose during the management meeting the day before. Anything brought up at those briefings can be raised at the management meeting the following day. Wordsworth walks around the production plant every after-noon. "Mr Wordsworth owns the company; you see him every day and you know what direction he wants," says

The earthmoving equipment market has boomed in the past few years but growth is bound to slow soon. It will not be easy for Aveling. But at least the new company has a leadership the workforce can relate to. That, at least, is a far cry from the absence of guidance which ultimately brought the former husiness to its knees.

Clement.

### Why computerbabble is counterproductive

ompanies have been learning the hard way that their chances of successfully using information technology increase if they set business professionals to man-age computing projects rather than their information systems

Nnw a Brussels-based consultancy, the OTR group, has come up with a persuasive explanation for this phenome-

Its analysis of 60 typical analysts and programmers from 12 different companies suggests that the problem is rooted in personality. Technologically trained information systems (IS) managers just do not dis-play the characteristics necessary to jolly along a project team to a satisfactory conclu-

The IS managers fail to understand what a business wants. They are also poor communicators, unable to sustain an effective dialogue either with senior management or their own staff.

It is a damning personality fault, says OTR. "There is very little that can be done to improve this. Although some may quibble, you cannot change personalities by train-

Everyone knows, of course, that computer staff speak a jargon of the most impenetrable kind, but OTR's analysis is more profound. It argues that IS staff are lacking in "influ-ence" and "dominance"; "their very personalities are not those associated even with average communicators."

Its analysis of analysts and programmers revealed below average levels of inluence and above average levels of steadiness. The same result emerged when IS managers were compared with business managers. OTR also found that most information technology specialists have poor knowledge of the business their company is

OTR suggests that the teams running applications designed to give their companies a competitive edge should be of mixed disciplines, thus provid-ing an efective hlend of personalities and skills.

OTR Groupe, rue du Com-merce 124, 10:10 Brussels, Bel-

Alan Cane

# H''

B-Day. Tuesday March 14th is Nigel Lawson's day. For a couple of hours every MP, along with the country's economists, financiers and financial advisers will give him their undivided attention.

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### **LEGAL COLUMN**

the same language as the pro-

Marketing andits such as those carried out by Mr Cooper

involve examining every way

in which a firm communicates with others. It has to do with the way the telephone is answered at reception, the way clients are treated on arrival, the ability of a firm to "cross sell" its services to existing

-sell" its services to existing clients, and other factors rang-ing from staff motivation to

Mr Robert Neville of the London firm of Kingsford For-

man & Routh Stacey, says that a marketing audit carried out for his firm "really did concen-trate our minds and give us the impetus to take the necessary

action to improve the market

ing of our services, especially the cross-selling of services

between our various depart-

Another firm which used an audit was Cardiff-based solici-tor Merrills Ede. Mr Emyr

Pierce, a partner in the firm, says that "the audit enabled us

to identify the main areas for

improving our overall services to clients and gave us an inde-

pendent view of the operation."

working conditions.

### Advertisers move in to market the profession

By David Churchill

SAATCHI & SAATCHI, the advertising agency which helped Mrs Thatcher to three election victories, is turning its attention to helping the Bar Council defeat the controversial proposals for reform of the British legal profession put forward last month by Lord Mackay, the Lord Chancellor.

Saatchi & Saatchi is working on an advertising campaign aimed at persuading both the profession and the Government that the proposed changes are unworkable.

Barristers are being asked to come up with the funds to pay for the campaign although it is unlikely that enough will be found - even if the Bar wanted to - to finance several television commercials during News at Ten (the best time, it seems, to hit decision-makers). More likely, the agency and Bar Council - along with its public relations consultancy Profile Public Relations – will come up with a more restrained and closely targeted

proposals changed. The Bar's decision to turn to advertising and public rela-tions specialists to get its message across reflects the growing importance of marketing in the legal profession in recent years, aided by the relaxation in the mid 1980s of the Law

campaign aimed at MPs and others in authority to get the Society's curbs on advertising by solicitors.

A number of leading City solicitors have made new appointments of specialist marketing partners or directors.
Stephenson Harwood, for example, recently brought in 30-year-old Mr Christopher Stoakes to a new post of marketing director.

The agency and Bar Council will come ap with a campaign targeted at those in authority

"Marketing is not just about public relations and advertis-ing," he says. "It is about pin-pointing what existing and potential clients want so that a better service can be provided, he says.

He also sees his role in making the firm's partners and staff more aware of the need to be commercial and mar-ket-orientated in the ment of the late 1980s.
Solicitors — like other professions which until recently managed to protect themselves from external competition are being forced by deregula-tion to take marketing seri-

Mr Ian Cooper, principal of Leeds-based marketing consul-tancy Ian Cooper Communications, points out that many solicitors "receive hundreds of enquiries for conveyancing every month but only about a fifth of these convert into new

He adds: "These solicitors may be wonderful but they just can't market they must learn to present the benefits to their clients of doing business with

Mr Cooper is a recognised specialist marketing consul-tant under the Marketing Initiative Scheme set up last year by the Department of Trade and industry.
This scheme offers financial

support to companies and pro-fessional firms with fewer than 500 employees to employ a marketing consultant to help produce a marketing plan for the business. The DTI will pay half the cost of between five and 15 days' worth of consultant's time. In some areas of the country, the DTI will pay two-thirds.

Mr Cooper claims to be the first marketing specialist recognised under the scheme to concentrate solely on the legal profession. "We have already conducted substantial marketing audits for many firms of all sizes nationwide, and our listing means that

This, he adds, "avoided the inevitable bias which we would many legal practices will now be able to obtain a financial contribution towards our fees. have when looking at it ourhe says. "It will also enable more solicitors to turn to specialists like ourselves who talk

Many marketing plans often lead to a public relations strategy. A recent survey by The Lawyer magazine found that some 33 out of 43 top firms of solicitors surveyed employed a specialist public relations

Choosing a PR consultancy is something that often causes problems for firms of solicitors

agency. A further eight employed in-house specialists — while only two firms had no PR capability at all.

Choosing and using a spe-cialist PR consultancy is some-thing that often causes problems for firms of solicitors. The first difficulty is actually in finding the right consultancy. An initial step for solicitors should be to contact the Public Relations Consultants Association (Premier House, 10, Grey-coat Place, London, SW1, 01-222 8866) who can advise on which consultancies specialise in tha legal profession but cannot

take recommendations.

The Institute of Directors also publishes a useful booklet, Choosing and Using a Public Relations Consultancy. The most often voiced com-

aint from solicitors, however, is that their PR consultants "do not really understand us — how we work, what we want to achieve, and so on".

Both solicitors and their consultants, therefore, may need to learn to get to know each other better if they are to take full advantage of the changes.

Cifford Chance, London's largest law firm, has reacted anguly to statements from the Bar Council which it believes is predicting the wholesale recruitment of barristers by City firms if the proposed changes in the profession take

Sir Max Williams, joint senior partner of Clifford Chance has written to the Bar Council pointing out that "we have no plans for the whole-sale recruitment of bearisters for advocacy work and, to the extent that we did develop an 'in-house' advocacy capacity, we would seek to do so with the co-operation of the Bar and not in opposition to

Sir Max added that he expected the position of most, if not all, other large City firms to be broadly similar.

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**FINANCIAL TIMES** 

# Old relationships shaken and stirred | Die Frau Ohne Schatten

B.A. Young reviews regional theatre productions in Mold, Cheltenham and Leeds

ingsley Amis has moved a step nearer the drama. The Old Devils at the Theatr Clwyd is presented as "the Hawdon of Kingsley Amis's novel," whereas last month the radio adaptation of Girl, 20 was called All Free Now, by Tony Bilbow "based on" the novel.

These Old Devils rely so entirely on the book that there would be no point in softpedalling the title or the authorship. The stage is a chessboard where Malcolm and Gwen, Charlie and Sophie, Pater and Muriel are moved from square to square as old relationships: are stirred anew by the return of Alun and Rhiannon.

The Link London

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The state of the s Some detail and some characters are left out, but the basics are there. We just have the portrait without the frame. The only serious objection Mr Amis raised, I understand, was the use of soliloguy to add needful information not con-tained in the conversation, and this he conceded.

Alun Weaver (Philip Madoc, complete with the romantic snow-white hair), long absent from the south Wales commu nity being a professional Welshman in England, is shown first in his television image in a projection upstage. Then he comes from the sta-

tion with his lovable and low-ing wife Rhiamnon (Meg Wyan, Owen) and the mischief starts. When she was young, Rhian-non had an affair with Peter (John Sharp, giving the right 18-stone impression), who made her pregnant and left her for another girl. She then became friendly with Malcolm (John Rowe) before ultimately

marrying Alun and going to live with him in England.

There are other youthful liai-sons to be recalled, and if pos-sible reenacted, but to describe the sequence of confrontations that makes up the atmosphere that Amis has so skilfully built np, and Hawdon so cleverly rebuilt, would be no better than to describe a strip-cartoon by analysing each panel.
The action on the big Theatr

Clwyd stage is more or less continuous for about three hours, moving from bar to house to restaurant with only a modicum of props on the crimson carpet. (Sean Cavan-agh did the designs.) The Amis talk is continuous

too, funny, savage, pathetic as the need arises, and admirably spoken in the tongue of academic south Wales, though never in Welsh except for-

The Russians visiting the Lyric, Hammersmith, had a lesson in free choice and mar-

ket values on their opening

night, when the performance was delayed for 15 minutes

until some of the andience,

exercising their choice to con-gest and polinte London's

streets to immobility, managed

streets to immobility, managed to trickle in.
Succeeding the Vakhtangov.
Theatre'a Peace of Brest, reviewed in these pages last week, Arkady Khyte's "scenes from Jewish life" make up a loosely-connected series of sketches.

The first half of the evening

consists of revue-type items, ahaggy-dog stories, anecdotes,

even a music-hall monologue

sketches.

LYRIC THEATRE, HAMMERSMITH



Julian Freeman and Polly Irvin by the swimming pool in "Twelfth Night"

Wales is a joke to these Welshmen, and evidently to the Welsh in the crowded anditorium, not to mention the English foreigners who come so freely to this theatre, for there was laughter all the

evening.
Philip Madoc's Alun sets the Weish standard high, and there is some good playing around him Malcolm retains his usual restraint when his wife Gwen (Ann Firbank) attacks him with her handbag. Charlie has a frightening heart attack, but survives it, whereas Alun's later illness is almost instantly fatal without complications.

The wives are a varied lot. Peter's hard-faced English wife: Muriel (Shella Burrell) decides. to retreat to England, and so leaves the field free for Peter to renew his old affection for Rhiannon, who has affection of her own to trade, in a moving

scene.
The wedding celebrations of Peter's son William and Alun's daughter Rosemary, though the speeches ars only suggested electronically, add one truly happy event to an evening's parade of sad mirth.

At the Everyman Theatre, Cheltenham director John Doyle has set Twelfth Night in the swimming-pool at Orsino's palace, or perhaps at Olivia's house, it doesn't really matter, everyone uses it, Shakespeare set it in fllyria, but insisted on a sea-coast.

Chris Crosswell has designed very posh pool, with classic columns surrounding it on three sides and a couple of fountains. People use the pool constantly, indeed Olivia falls into it on her way to get mar-

Throughont the evening

cheery dances are executed. while songs can be in Russian or accented English, either

For much of the time, aware

of the difficulties and dangers that Jewish culture has battled

against, one appreciates the fact that the show is done at

all; never mind the quality, feel

The first part ends with a

touch of astringency worth all the preceding items combined.

A son writes to his distant

mother telling her not to worry

about the recent pogrom - it

was "only a pogromette."

A neighbour was thrown from his attic window and left for dead, but he survived. Of

but he had tricked them. Sister

sung or mimed.

the survival.

ried to Sebastian. Although the date is early January, everyone

ered shirt and white slacks.

Andrew Alston's Aguecheek, tall and sloppy, is just the kind of man this Toby would take

under his avaricious wing; but it's only fair to say that they sing well together with Feste.

Feste (Barry Killerhy) I thought too young; the dia-logue, and his choice of "Come

away, death" as his party piece, show that he is old enough to be near the end of

his contract. His singing of "When that I was," all five verses of it, at the end moved

Stephen Earle's Malvolio reveals his love of respectabil-ity from the start, sitting in a

deck-chair in dark grey and

reading the Financial Times, when the others are in light

To his yellow stockings he adds a kind of Highland dress

that he contrives to make splendidly absurd. Maria, how-

evsr, whom Liz Brailsford

makes younger and prettier than we usually see her, is friv-

olous at once, with her black

Modern dress Shakespeare, as Martin Hoyle wrote here lately, may be a cliche, but can set off reverberations. Here, it

emphasises unambiguously how little the behaviour of the

prosperous young has changed

There are two romantic tales

at the core of The Shoemakers'

world of Glasnost blouses and

sceptical young peopls ends with a song and dance routine

that wryly accepts the ineradi-cability of anti-semitism.

duction sets the uncertain advance of this particular aspect of civilisation on and

around an open truck, some-times wheeled forwards, to

symbolise the train of "history

and destiny" common to all

The 16 performers sing

dance and act with a will if the sketches sometimes plod and the satire seems gentle, we

can still appreciate the break-through that such a production

signifies for such a people at

such a time.

Alexander Levenbuk'a pro-

in the last 400 years.

me uncommoniv.

summer kit.

mini-skirt.

is prettily tanned.
The text is virtually untouched, spart from some practical cutting. (Ws are out in well under two-and-a-half hours.) There must have been a temptation to insert a modern word here and there to go with the modern costumes, but no, here are the galliard, coranto and cinquenace where we might have had their cur-

rent equals.

The text is in fact handled with the greatest respect, and never sounds unsuited to the anachronistic looks of the speakers.

The music that so touches Orsino (Julian Freeman, young, bearded) is a blues on an offistage plano. When Viola (Folly Irwin) enters, it is along the siale down the middle of the stalls; to reach the stage she must use the steps that stand there permanently.

She is wearing a loose frock, but soon changes that for shorts and a top that conceals enough, except when she wants to reveal her true sex. Her twin Sebastian (Russell Porter) is different enough for us to know them apart when the others don't.

Viola struck me as unemotional, perhaps meaning to sound boyish. Margo Guan's Olivia, on the other hand, in her brief black dress, is notably girlish. I was impressed by the resilience of her hair after swimming. (Everyone swims, en Malvolio, in a full-length bathing-suit.)

There is an outstandingly good Sir. Toby from Gordon
Reid, the playboy of the local
Conservative Club in his flowcourtship of Lacy and Rose,

Esther was stripped and dragged off to the barn, but she is what you might call well: she laughs all day and plays with pebbles like a child, but

will get better. Above all,

mother is not to cry: it's a feast

The second half gives us glimpses of modern life. The

Revolution, educated work-ing-class girls who neverthe-less bar a rabbi's son from col-

lege, a helpful American asking about the five-year plan, optimistic references to Hitler.

Post-war relief is darkened by mention of Babi-Yar; Stalin-

ism brings scapegoats for life's austerities including the identi-fication of Jewish doctors as

"killers in white costs."

And the bright modern

daughter of the current Lord Mayor of London, Roger Otley, and the marriage of apprentice Ralph and Jane, interrupted when Ralph is sent to the French wars and comes home with one leg, to find his wife

in the ever-present back ground, Eyre has made money and been appointed Lord Mayor. He cannot fill this bonour and run a trade as well, so he gives his firm to his foreman Hodge and promotes his top apprentice Firk to journeyman. Hodge (Andy Readman) always has a faintly executive touch, and in his new manage-rial personality he wears a three-piece suit that awes his former cronies. But you could make Trevor Laird's black Firk Lord Mayor and he would con-tinue as athletically comic as

he is as apprentice.

The play dates from 1599, but it has a lot in it that, mutatis mutandis, suggest the City of our own time. Jude Kelly, the director (also the new Artistic Director of the Playhouse), has emphasised nelther 1599 nor

The laughs will last another century or so as long as the human race remains buman; the energetic by-play and the costumes are about 80 per cent of our time. (The troops march off to France in battle-dress with old armoured helmets.) Incidental music is modern,

mostly pop.

Dekker's verse, not the most elegant of its day, is not always recognisable as verse, but makes fine comic dialogue for an enthusiastically comic com-

pany. Ainslie Foster's Rose need only be charmingly romantic, and so she is, but Guy Scantle-bury has laughs to offer as a mock-Dutchman, and does it well, Robert Bowman's Ralph is genuinely pathetic, and amazingly active for a man with a wooden leg; his shop-keeping Jane (Sally Millest) will run their household for

will run their household for both of them.

Above all, of course, there is John Arthur's Simon Eyre, middle-aged (56, he tells us) with a great bush of hair at either temple and a great wealth of good-nature in his

Linda Polan is his portly wife, sometimes addressed as Cicely Bumtrinket.

Holiday, but the main theme in Dekker's comedy, now at the Leeds Playhouse, is the rise of master-shoemaker Simon Eyre Tim Reed has already provided generous, witty, elabo-rate scenery such as I never expected to see on this little stage. What will Jude Kelly be to become Lord Mayor of Londoing when she gets her new Leeds Playhouse next year?

Anne Evans

cnmulatively somewhat

airless: one longed for some enlargement of the aural

canvas.
This highlighted the perhaps unavoidable weakness of Gilbert Deflo's production, an extremely skilful reduction of a

spectacular operatic fantasy to

behind gauze on a mostly bare

stage. The use of cloths, sheets, and veils to conjure up oriental theatrical magic has its limits

of effectiveness: it is sensitive and thoughtful, but ultimately

- and particularly in Act 3 - not quite enough.

This is, I think, a work whose paddsd-out theatrical apparatus and vastly over-elaborated play of symbols need all the help they can get. Deflo's fine-pointed concentration on the relationships is short measure.

Where the revival scores is in the certing of most of the

in the casting of most of the principal roles, mainly from WNO members or regulars:

only Phillip Joll's Barak fails

to meet fully the tremendous challenge (both the voice and the stage personality lack the

- and particularly in Act 3

drama in faint outlines

NEW THEATRE, CARDIFF

This is the first revival of the 1981 Weish National Opera production – newly cast, and given once again in English (the right decision, even if Eric Crozier's translation exposes, when andihle, some flatiy prosy turns of phrase).

The opera has been a long time returning, presumably because Strauss's grandest and most formidably complex work requires a combination of time and (especially) money in the preparation that British regional companies find in somewhat short supply these

All praise to the WNO, as when first shown, it remains an impressive show, an intelligently staged, bravely played and sung account of a piece that should properly prove too big for such treatment.

It really is too big for the New Theatre: the recently expanded pit may bonse Strauss's orchestra, but the strauss's orchestra, but the auditorium doesn't contain it — in full flood, and particularly at the moment when the vision of the Emperor turned to stone is revealed, the torrents of blockly applied by the contains the contains and the contains blackly granitic brass verge on the punitive.

In last season's snperb Salome, Charles Mackerras confirmed his mastery of buge-orchestra Strauss in small houses; on Saturday he seemed not yet to have struck the presence of seasons at least the best the proper (or at least the best available) halancing act, between work scals and theatre size, in this massively more ambitious and less well-judged operatic structure. Until the third act, when the

WNO orchestra were at last able to purvey delicacy of timbre and texture, in the raylshing evocations of trickling golden water beamed with light, there was too little variety of dynamics. It was exciting, without donbt, but necessary firm core of mature warmth).

Anne Evans, who in 1981 took the title role, now brings to Barak's wife the solidity of middle and low-register tone subsequently developed in the WNO Ring. Her "Barak, mein Mann" was a glorious, shining outpouring, in the early stages she needs to cut a sharper dramatic profile (particularly with her words) - an infusion of the caustic wit remembered from Pauline Tinsley's portrayal would not go amiss. Jeffrey Lawton lavishes oo the Emperor's two long arias the passion, vigour, commitment, and clean diction that usually come hard to occupants of Stranss heroic-tenor roles — oot

always seductive bnt winningly fearless. The Empress of Christine Teare, a WNO soprano offered here her first big chance, justifies the company's confidence. The voice, of enormous potential, is not yet under perfect control, radiant and edgy by turns, hut her willingness to give her all to the opera is also very winning.

Perhaps the happiest surprise is Gillian Knight's first nurse, gleaming with dark malice and authoritative (if not exactly comfortable) across the role's extraordinarily wide compass. (It's a pity the presence of so commanding a mezzo failed to persuade Sir Charles to beal some of the, as usual brutal, Act 3 cuts.)

Among the minor roles, all surely taken, Alastair Miles's Spirit Messenger is outstanding.

Die Frau is not by any

means an opera that sings itself: many an international performance gets by on much smaller resources of Straussian vocal security than we heard and admired on Saturday. Max Loppert

### The Ghost Sonata

QUEEN ELIZABETH HALL After the fuzzy obscurantism

of Aribert Reimann's opera based on Strindberg's phantasmagoric chamber play, phantasmagoric chamber play, it was a great relief to see the play itself. It is a strange piece, but not densely difficult, and David Freeman'a production in this Opera Factory London Sinfonietta season is confident, affecting and quite brilliantly arranged in stage conditions not even remotely ideal.

Andrew Clements ontlined on Wednesday the treatment of Strindberg by Reimann. I would add only that the opera is a confusing reduction of the play in spite of some beautiful

musical passages.
As in his *Lear*, which I find unremittingly banal and tiresome, Reimann has nothing to add to his source, and is not bsnt on some creative

Record attendance for Tate gallerys

During 1988 more than 2m people visited the Tate Gal-lery's three holdings, the high-est figure recorded in the gal-

lery's history. The Tate, Millbank had slightly fewer visitors than in 1987, but this figure was boosted by the opening of the new Clore Galleries that year.

The Tate Gallery, Liverpool, which opened in May 1988.

attracted 490,942 visitors, well above expectation, and The Barbara Hepworth Museum increased its attendances to 18,848 from 17,072 in 1987.

Freeman is liberated by returning to the text, not seen on the British professional stage for 60 years and bere given in a new version by Gregory Motton, a gifted new stage voice with a good ear for the random babble of street encounters.

This serves the opening scene very well. The rest, not too far from Michael Meyer's translation, is just a little more offed and vital. Whereas the visitors and

deconstruction.

ghosts huddle in a reflective circular labyrinth in the opera, designer David Roger can explode these transparent walls to reveal different facets of the interior.

What starts as a casnal encounter between 80-year-old Hummel (Jerome Willis) and the heroic student Arkenholz (Adam Kotz), becomes a quest, a forced entry to a bouse of memory,

recrimination and death.

The events are bizarre, but they have the driven coherence of Strindberg's fully expressed paranoid neuroses. This quality shines through the performance, which is sustained on all sides with skill

and brayura.

Arkenholz is sslected aa Hummel'a beir and medium. Hummel's lover, the Colouel's wife, is now a squawking, cupboard-bound parrot.

The tenuous delicacy of Christine Botes in the opera gives way to the vindictive, balletic swooping of Linda Marlowe in a built-up nose and grave grey face. The Colonel (Richard Suart,

stiffly comic having sung a less harshly regretful Hummel than Mr Willis's) is exposed as a fraud. The knife is twisted by Hummel gaining bis come-uppance.

This undermines the whole basis on which we have attended to the play. Having between Arkenholz and the beautiful daughter (Caroline Bliss), further expectations of youth repairing the damage

are scattered to the winds This last scene, iotensely played with Miss Bliss curling np in a sex-in-death foetal position, is played with all the walls slammed down and the ghosts ranged elegantly on the periphery.

The romantic mountain

landscape consumes the dead girl, who takes her place in it like the girl disappearing in a rowing boat in Arnold Bocklin's "The Island of the Dead," the painting which Strindberg demanded and to which Freeman and Opera Factory, in a final flourisb, have so wittily alluded. A superb revival.

Michael Coveney

### **SALEROOM**

### More on Mappa Mundi

Tomorrow should see the next development in the long run-ning saga involving Hereford Cathedral and its wish to cash in the Mappa Mundi, one of the undoubted treasures of the nation. Bebind-the-scenes negotiations have come up with a deal, put together by the National Heritage Fund, which establishes a Trust to look after the map, and the other valuables of the cathedral, in a separate building. The Fund is prepared to make a sizeable contribution to finance the scheme if other

bodies, notably Hereford City Council, do their bit. The Dean is still procrastinating, weighing up the smaller sum the Cathedral will receive, nearer £3m as against the rough £8m value of the map at auction. Sotheby'a, which has played a dibious role as advisers to the Dean, should urge him towards acceptance of this compromise, which have the Compromise.

which eases the Cathedral's financial problems and secures the future of an object of unique value and importance. It is time the Mappa Mundi row was cleared np because defenders of the national heritants are likely to be a second like tage seem likely to have more fights on their hands in the near future. Last week the reviewing Committee on ths Export of Works of Art is belisved to have delayed a licence to take Lawrence's first portrait of Prinny, dressed as

the victor of Waterloo, out of the country. It sold at Sothe-by'a last November for £600,000, and British galleries will now have a few months in

which to raise a matching bid, plus any dealer's mark up. A Gainsborough portrait of Mrs Drummond, which made a record £1.85m at the same sale, is also believed the same sale, is also believed to be under an export threat.

But the Reviewing Commit-tee surprisingly gave the go ahead for the dealer Spinks to sell to the continent the Treasell to the continent the Treasury silver ink stand made by Paul de Lamerie in the 1720s and used by our longest serving Prime Minister, Sir Robert Walpole. It, too, fetched a record price, of £770,000, at Christie's in December. The fesling was that the nation already holds snough silver linked to Walpole: still, it will

be an undoubted loss.
In the 20th century one field
of artistic endeavour in which
the UK leads the world is
ceramics, and Bonhams sale of contemporary pots tonight should play to a packed sale-room and attract high prices. As well as work by all the great names - Coper, Rie, Leach — some ceramics have been included by young pot-ters, and priced between £50 and £300.

Last October Christie's South Kensington sold a single 17th century shoe for £14,300. Not surprisingly this opened the floodgates and tomorrow it offers a collection of 50 pairs of shoes dating from the 18th century to the 1920s. The top estimate is £1,800 for a pair of mule slippers of around 1780, but most lots should go for less than £500.

Antony Thorncroft

### on Jewish husbands, delivered much as British comics talk about mothers-in-law.

**ARTS GUIDE** 

### **BUYING OUT?**

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The Investors Chronicle Management Buy-Out Survey on April 14th will give you the who, how and whys of MBOs. We will also explain the potential of Buy-ins, Mezzanine Financing and European Networks.

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### MUSIC

BBC Symphony Orchestra, conducted by Alexander Lazarev with Vladimir Ovchinikov (piano). Rachmaninov, Tchatkovsky. Barbican Hall (Thur) (638 8891).

Orchestre Colonne conducted by Philippe Entremont, Martin Haselbock (organ). Mozart, Poulenc, Saint-Sassa. (Mon) Theatre Des Champs Elysees

(47203637). Royal Philharmonic Orchestra. Royal Pininamonic Orchest conducted by Charles Dutoit, Gwyneth Jones, (soprano), Thomas Hampson, (baritone). Mahler (Mon) Châtelet (402828 Arrigo Boito's Mefisto in concert version, conducted by Sir John Pritchard with Samuel Ramey in the title role, Alberto Cupido as Faust and Leona Mitchell as as raust and Leona mincion as Margherita/Elena (Tue, Thur) Paris Opera (47425371). Akiko Ebi, piano. Chopin, Ravel, Debussy. (Wed) Saile Gavean(45632030). Emile Nacumoff, plano.

Emile Naoumoff, piano.
Stravinsky, Tchaikovsky,
Scriabine, Rachmaninov,
Naoumoff. (Wed) Theatre des
Champs Elysses (47203637).
Orchestre National de France
conducted by R. Barahai, J.P.
Rampal, flute. Mozart,
Shostakovitch (Thur) Theatre
des Champs Elysses. (47203637).

Hagen Quartett, Haydn, Berg, Schumbert, Konzerthaus. (Mon). Beethoven Trio Wien, Dvorak,

Konzerthaus. (Mon).
The Anstrian State Radio and
Talevision Orchestra, conducted
by Gunther Neuhold. Wellezz,
Eroed, Schubert, Webern. Berg. Konzerthaus. (Tues).
Wiener Bachsollsten, conducted
by Ernst Wedam. Schubert.
Musikverein. (Wed). Musikverein. (Wed), Wiener Schumbert Trie, Boccherini, Vel, Bischof, Beethoven, Musikverein, (Wed), conducted by Walter Hagen-Groil. Mendels Regarder and Regarder Action of the Control of the

Ebenhoh, Mozart, Ravel.

### Rome

Berlin Philhermonic soloists playing Mozart, Schubert Blacher, Reger and Playel, Auditorium in via Della Pleyel. Auditorium in via Della Concilizzione. (Frl) (6541044). Bertin Philharmonic soloists playing Mozart, Dvorzak andSchubert, with Marisa Tanzini (piano) Teatro Olimpico (Pizzza Gentile da Fabriano)(Wed) (393904). London Barbican Consort conducted by Robert Clark playing Hendel, Vivaldi, Rowe. playing Handel, Vivaldi, Boyce, Purcell and Haydn. Chiesa di S. Agnese In Agone (Piazza Navona)(Thurs) (687.5852).

### New York

Pinchas Zukerman violin recital with Mare Nelkrug (piano).

Sylvie Guillem to

join Royal Ballet

Sylvie Guillem is to join the Royal Ballet for an initial period of three years. She joins as principal guest artist, which will enable her to retain her links with the Paris Opera Ballet.

She was the youngest guest artist ever engaged by the Royal Ballet when, aged 22 in January last year, she danced Giselle at Covent Garden with Rudolf Nureyev.

She returned in December that year to dance in Balanchine's Apollo and Gsovsky's Grand Pas Classique, partnered by Royal Ballet principal Jonathan

The artist joined the Paris Opera Ballet from their school in 1981 and was promoted to the rank of première danseuse Martin Hoyle in December 1984, aged 19.

### February 24-March 2

(Tue) (247 7800).
New York Philharmonic conducted by Kurt Masur with Elisabeth Leonskaja (piano).
Mozart, Liszt, Brahms. Lincoln Center Avery Fisher Hall (Tue) (241 8724).

Center Avery Fisher Hall (Tue) (874 6770).
Anthony De Mare piano recital.
Douglas Young, Frederick
Rzewski, Conlon Nancarrow,
Ives, Aaron Kernis, Meredith
Monk, James Seliars, Kauhmann
Hall (Tue) (427 6000).
New York Philbarmonic conducted by Kurt Masur with Philip Myers (horn). Prokofiev, Strauss. Lincoln Center Avery Fisher Hall (Thur) (874 6770). Seidelmann, Schlee. Konzerthaus. (Wed). Washington

National Symphony Orchestra conducted by Sir Neville Marriner with Elmar Oliveira (violin) and the Oratorio Society of Washington directed by Robert Shafer. Walton, Tippett. Brahms, Carnegie Hall (Mon) (247 7800). Vienna Philharmonic conducted by Herbert von Karajan. Schubert, Strauss. Carnegie Hall Kennedy Center Concert Hall (Thur) (254 3776). Chicago

Orchestre de Paría conducted by Daniel Barenboim. Debussy programme. Orchestra Hali ingramme. Orchestra Hall (Mon) (435 6666). Chicago Symphony Orchestra conducted by Christopher Keene. Haydn, Schreker, Cowell, Milhaud, Orchestra Hall (Thur) (435 8666).

### Tokyo

Gunter Hogner (born). Mozart, Beethoven, Brahms. Tokyo Bunka Keikan, Recital Hall (Mon) (289 9999). Group Take Shakuhachi (Japanese bamboo flute) concert. Compositions by Yamamoto Hozan, Ichigaya Luther Centre (Mon) (260 8621).

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with Ruth Laredo (piano). Berlioz, Schumann, R. Strauss.

Kennedy Center Concert Hall (Tue) (254 3776).

FINANCIAL TIMES

### FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY Telax: 8954871 Fax: 01-236 9764/5 Talaphona: 01-248 8000

Monday February 27 1989

# Waiting for Mr Baker

Secretary of State, Mr James Baker, have reacted defensively to suggestions that, by failing to get to grips quickly with developments in the Middle East, they have allowed the Soviet Union to seize the initiative in that region. They are certainly right not to let them-selves be bustled into announcing any spectacular initiative for the sake of "keeping up with the Joneses." But they would also do better to avoid being provoked into comments which seem to celittle a Soviet policy that has in recent years been remarkably constructive.

Particularly uncalled for was Mr Baker's suggestion last Thursday that the Soviet Union should change its approach to the region by, for example, using its influence with Syria. It is nearly two years since Mr Gorbachev told the Syrian President publicly and to his face, at a banquet in Moscow, that "betting on mili-tary power to settle the conflict has become completely discredited," that he was "saddened by disunity, frictions and con-flicts in the Arab world," and that he welcomed efforts to restore the unity of the Pales-tine Liberation Organisation.

Soviet encouragement Since then the PLO has not

only been reunited but, with stroog Soviet encouragement, has come out clearly for peaceful coexisteoce between Israel and a Palestinian state, explicitly recognising Israel's right to exist and condemning terrorism, and thereby fulfilling the requirements set by the US for a "substantive dialogue." Syria has not pretended to be overjoyed by these develop-ments, but has so far been less able, or willing, to interfere with them than most people would have predicted. In recent weeks it has even softened its hitherto implacable hostility to Egyptian participation in pan-Arab activities. No doubt a number of events have conspired to persuade President Hafez Assad that this is a time for trimming his sails to the wind, but the knowledge that he could not expect Soviet support if he took a rejectionist line must surely have been

Even within the last fort-

night Mr Ednard Shevardnadze was trying to use his visit to Damascus to bring about a for-mal reconciliation between Mr Assad and Mr Yassir Arafat. In that he did not succeed. As Mr Baker should know, for superpowers to "influence" their Middle Eastern clients is not an easy matter. But if either of them can be accused of failing to try at present, it is surely the US.

### Absolute refusal

Never bas it been clearer than now that the obstacle blocking any further progress in the "peace process" is Israel's absolute refusal to talk the PLO whether inside or outside the framework of an inter-national conference; and never has it been clearer that in taking this line the Israeli Govern-ment is out of tune with much of public opinion in the US and even in Israel itself. The Soviet Union has done much to help lina up the Arab world and the PLO behind a constructive and reasonable negotiating posi-

The time must be coming when the US President should when the US President should explain to the world, and more especially to the American and israeli peoples, that he cannot be held responsible for the consequences if Israel persists in refusing any dialogue with the body which Palestinians now upgainment designate as their unanimously designate as their representative, and which has

now clearly stated its willing-ness - indeed, its eagerness -to make peace.

Before he became Secretary of State, Mr Baker was said to believe the Middle East was an area of major concern to US national security, and one in which a new administration must take the initiative at the beginning of its term. One month into that term, and more than three months after Mr Baker was designated, the senior post dealing with the area in the State Department has not even been filled. Mr Baker's anxiety to gain first-hand knowledge of the leading personalities in the region before be makes a move is understandable. But he must realise that the present relatively hopeful political climate in the region is an opportunity which, if not exploited, is unlikely to last.

### A new charter for banking

FEW INDUSTRIES have undergone changes as far-reaching or as rapid as those which have transformed retail banking in the UK in the 1980s. Electronic technology has made possible the provi-sion of banking and money transmission services on a scale previously unthinkable.

The changes have transformed the relationship between the banks and their customers. Twice as many cash withdrawals are now made by automatic teller machines as by cheque. Since 1980 the number of credit cards held by the population has tre-

Until now there has been bttle attempt at providing an overall regulatory framework for retail banking in the elec-tronic age and ensuring that the rights of consumers are

fully defined and protected.

Last week the committee least week the committee
headed by Professor Robert
Jack, which has been studying
these issues for the last two
years, published its report. Its proposals are detailed and ambitious, calling for three new statutes, including a new law on banking services, and a total of 43 changes in the law.

The proposals include dimin-ishing the use of cheques and their replacement by bank payment orders, tightening the banks' obligation of confidentiality to their customers, greater safeguards against fraud, as well as legislation on electronic funds transfer and trading on computer screens.

### Parliamentary time

This is clearly an opportunity to create an up-to-date legislative framework for hanking services in Britain which no other country has yet done. However the volume of legislation suggested would make such demands on the time of parliament that the Government is likely to be selective in taking up the Jack proposals. It has asked banks and consumer bodies to submit their views by April and will make its eventual response to the report in the light of them.

Confronted by the wide variety of issues covered in the report, the Government needs to identify its priorities carefully. At the top of the list is the maintenance of a banking system in which bank-cus-

tomer relations are soundly

Despite the enhanced rights which the report proposes to give to the consumer, the banks have few reasons for unhappiness with the main thrust of its proposals, they would curb fraud and lead to an equitable allocation of loss between banks and customers when customers' actions or negligence are a contributory

### Current account costs

By proposing an end to the banks' obligation to return all cheques to the branch which issued them, the Jack Report holds out the prospect that the banks may be able to reduce the heavy cost of running current accounts, alheit at a slightly increased risk of signa-

Consumers should welcome the proposals to protect their rights where plastic cards and electronic funds transfer are concerned. At present this area is largely unregulated except by the Consumar Credit Act The Jack Report would limit

liability for card misuse to £50 and prevent the sending of unsolicited cards and personal identification numbers or the issuing of cards with multiple functions which a customer

does not want.

Sensihly, the committee decidad that a rigid legal framework for the plastic cards industry might stille innovation in an area where technology is changing almost by the day. It has instead opted for a piecemeal approach to ideotifiable problems already affecting

consumers. One of the most urgent areas for new legislation is the whole field of new trading instruments which bave been developed since 1882 when the Bills of Exchange Act was passed, in particular screen based transfers which are recorded only in electronic form, and not on

leagues have identified a wide range of possible areas for reform with singular thoroughness. Though banking services generally work well in the UK. their fairness and efficiency, as well as their international competitiveness, will be enhanced if many of these proposals are

### Quentin Peel opens a series on next month's elections in the Soviet Union

ikhail Gorbachev, the Soviet leader, calls it a "school of democracy," and admits that the lessons will take a long tima to learn. Others call it "democratisation," put-ting the emphasis on the process

rather than the end result.

The most cynical translation of the present Soviet "election" was given this month in the Estonian rural newspaper, Maalebt; its true meaning, the author said, was simply "voting Whatever label you give it, the first Soviet attempt to offer anything approaching a choice of candidates for its national legislature is entering the last lap. In just under four weeks on Easter Sunday - it is polling day for perestroika. It is proving an extraordinary learning process and it is difficult to say who is most confused: electors, candidates, organisers, or outside observers.

For a start, it cannot be compared with a Western election. The fact that the Communist Party is the sole legal party precludes that. Opinion polls on which way the political tide is run-

ning would be meaningless.

Political platforms have been published by candidates and by organisations like the Communist Party and its loyal trade unions: they remain hland commitments to good causes, not alternative strategies for development. The only exception seems to be that of Dr Andrei Sakharov, and he may well not be a candidate if the Academy of Sciences falls to nominate him. Everyone is enthusiastically committed to perestroika, at least officially.

President Gorbachev said 10 days ago that a multi-party system would be "rubbish" in the Soviet Union, although his expletive might have been better translated as "meaningless." He and his colleagues have bent over backwards not to be seen to ape any Western model

"It is obvious that in our system of self-taught democracy, we will make some mistakes," the party newspaper, Pravda, declared disarmingly last week. That is an understatement. The election laws are ambiguous, the procedures are wide open to abuse, and the voting system is decidedly illogi-cal. There is a real possibility that many constituency elections on March 26 will fail to produce a winner with the required absolute majority. The legal drafting was done in a hurry last autumn and the penalties

are becoming apparent.

The increasingly outspoken Soviet press has reported many instances of local authorities seeking to control the end result, by limiting the nomi-nation of candidates, refusing to sanction election meetings, or simply packing the meetings with party faithful.

"The experience of the present election campaign has shown that the statute of the law on elections on meetings . . . needs to be elaborated, particularly in so far as procedures are concerned." Mr Valery Lashkov, head of expraisational instruction in head of organisational instruction in the Central Election Commission,

In spite of such criticism, the whole process is remarkable for the Soviet Union. Granted the confusion, and obvious attempts to fix the results in obvious attempts to fix the results in favour of loyal party people, something approaching a democratic debate has been taking place in fits and starts across the country.

"Of course some shortcomings have been noted." Mr Gorbachev admitted last week in Kiev where a particularly lossy proportion of the particularly

large proportion of the party leader-ship is standing unopposed. But he are not dealing with a merely formal procedure, but with genuine elections of people's representatives to the highest organs of power. This is an enormous step forward in comparison with the practice of previous years."

The aim is to elect 2,250 people's



# Polling day for perestroika

deputies to the Congress of Deputies, a new super-parliament set up by the constitutional reforms approved last November. They in turn will elect from their number a 544-strong stand-ing legislature, a hicameral Supreme

Soviet, which is supposed to sit for three or four months, twice a year. The key body will be the Supreme Soviet, hitherto no more than a rubber stamp for the decisions of the Kremlin, meeting for a couple of two-day sessions a year to approve all legislation by acclamation. Hencefortb, it is supposed to have real debates, propose real amendments, and exercise a controlling influence on the power of the party leadership. Mr Gorbachev insists that his

reforms are intended to give back meaning to the Leninist slogan "All power to the Soviets." But the party will obviously remain the paramount influence; more than 80 per cent of the candidates first nominated were party members.

There are three slates of deputies in the new Congress: 750 will come from territorial constituencies with equal numbers of electors, 750 from nation-al-territorial seats divided equally between the 15 republics regardless of population and 750 from a variety of public organisations, such as trade nnions, the Academy of Sciences, the Soviet Peace Committee, and the like. Already it is clear that the least democratically selected have come

have made an initial selection and only 880 candidates have been nominated and registered for the 750 seats. The final selection will take place over the next four weeks at plenary meetings of the organisations, but the lack of choice has caused furious rows.

It all began when the Central Committee of the Communist Party nominated exactly 100 names for the 100 seats it was allocated – and showed the way for all the rest. The Komsomol – the Communist Youth League – publicly apologised for submitting more names than it would have seets.

As for the Academy of Sciences it

more names than it would have seats. As for the Academy of Sciences, it only put up 23 names for 25 seats, and failed to put forward any of the most popular supporters of perestroika, such as Dr Andrei Sakharov, Academician Roald Sagdeyev, Academician Tatyana Zaslavskaya, and Academician Abel Aganbegyan. More than 2,000 scientists demonstrated in the streets of Moscow and now they are streets of Moscow and now they are lobbying to deny the candidates enough votes to be confirmed at the Academy's plenum next month.

The same picture of confusion and conflict has emerged from many parts of the country over the campaigns for constituency candidates.

On the one hand, in the Ukraine, on the one hand, in the Ukrame, most of the top party leaders have found themselves the Soviet equivalent of "rotten boronghs" to represent unopposed, well away from the capital Kiev, where the only real contests look like taking place.

Protests and demonstrations have been reported from Verral where

been reported from Yaroslavl, where environmentalists claimed their candidate had been excluded because of a rigged vote count. In Moscow, Mr of Ogonyok magazine, walked out of his selection meeting in fury when the chairman refused to agree to put forward all 11 names which had been

On the other hand, many of the selection meetings, at which nomi-

nated candidates have to get 50 per cent support to get on the ballot paper, have produced unpredictable results. In the Lenin district of Moscow, for example, the obvious party candidate - director of a large defence factory - was voted down, as was the poet, Yevgeny Yevtushenko: the former was questioned on his social contribution, the latter on his love life. In the event two strong reformist candidates were the only

ones chosen from a list of 11.

Another extraordinary debate took place at the Red October Palace of Culture in Zelinograd, outside the capital. For almost 12 hours the selected voters argued over a list of five names. Five times, they sacked the chairman of the meeting, until finally they persuaded a sixth to allow all five to go forward on to the ballot paper. The only common thread through the meetings seems to have been their unpredictability.

The one area where the elections look anything like the multi-party

Western variety is in the Baltic republic of Lithuania, where the Communist Party leadership is being challenged by candidates openly sponsored by Sajudis, the nationalist movement founded last November.

Mr Algirdas Brazanskas, the repub-lic's party leader, faces the strongest challenge of all from Mr Arvydas Juozaitis, a philosophy lecturer who is one of the most ontspoken young resulted in a sharp deterioration in relations between Sajndis and the Communist Party, once working in tandem, with accusations that Sajudis is increasingly harbouring "extremists." However Mr Juozaitis says he dents on the elections will may yet pull out of the election, for ing the run-up to polling.

fear of precipitating a political crisis if he were to defeat the party leader. In neighbouring Latvia, the party leader. Mr Jan Vagris, is also facing a clear alternative challenge, with two open advocates of Latvian independence on the same slate.

As for Estonia, the most rebellions of the three Baltic republics, there exerts to be far less enthusiasm about

of the three Bailly repnants, there seems to be far less enthusiasm about the coming campaign. "People are simply not very excited about electing people for the Moscow Supreme Soviet," says Tarmu Tammerk, editor of the Facility leaguests payers.

of the English-language newspaper The chief general criticism of the system so far has been levelled at the stage just completed: the series of district election meetings summoned to vet the lists of candidates wherever there were more than two. In Estonia, the government simply decided not to hold any: all nominated candidates

were automatically registered.

Half the members of the public attending these meetings were selected by the district election commission, and the other half by the candidates themselves, giving a great opportunity for the local hureaucracy to pack the meetings with supporters. The number of senuinely independent The number of genuinely independent candidates slipping through the system is likely to be small

Indeed, even at the nominating stage, the proportion of Communist Party members was actually higher, and the proportion of ordinary "work-ers and peasants" lower, than under

ers and peasants" lower, than times the old quota system.

The district meetings are likely to have whittled the total list down from 7,531 candidates nominated — an average of five for each of the 1,500 constituencies — to perhaps no more than 3,000. Final figures are yet to be

published.
Candidates have organised cam paign staffs and set up their head-quarters. They enjoy free travel in their constituencies and immunity from any prosecution for the duration of the campaign. Already the election commission has ordered that no candidate may use his own finances for his campaign, to ensure strict fair-

"We cannot do as the bourgeois do," says Viktor Nechayev, representative of the chief political department of the Soviet Army and Navy. "Where will the funds go? Maybe to bribe voters?"

The costs to the state are likely to be considerable. In Leningrad, the entire cost of the last, uncontested elections in 1984 was Roubles 100.000 (£91,819). This time, Leningrad city council reckons it could cost that much in each of the 15 city constituencies. The learning process comes

The final results only have to be published 10 days after the poll; another reason why sceptics believe it may still be possible to rig it. Yet few observers expect a really startling outcome now: a respectable minority of real reformers will get elected. Sev-

eral key figures are in the central committee's "golden 100" list.

So far, few candidates seem very enthusiastic about the prospect of becoming the sort of full-time politicisms. cians a standing parliament would require — except for the party officials. They are likely to end up dominating the future Supreme Soviet.

On the other hand, it is the process of the election, rather than the result, which probably matters most at this stars of political reform "Even where

stage of political reform. "Even where the good man loses, it will have an effect," according to one Western political observer. "People will end up e Supreme Soviet knowing the will have to go through the wbole process again next time. They will have to answer for their behaviour in a way they never had to before."

Further articles by FT correspondents on the elections will appear dur-

### Owen stays alone

The trouble with David · Owen is that he has a streak of arrogance that be will never quite abandon. It stems at least nartly from his having been made Foreign Secretary when

he was too young. Owen was 37 when he took over at the Foreign Office from the late Tony Crosland. The Labour Govarnment was in trouble domestically and the party was torn internally. But Owen had been raised several steps above his contemporaries and there was plenty for him to do on the international scene. That made the return to the humdrum life of opposi-tion politics all the harder to

take when it came. One doubts if he has got used to it even yet. It is not that he does not work hard; he does. It is just that he has a tendency to feel himself head and shoulders above most of those around him. Remember that he was challenging the now Lord Jenkins for the lead ership of the Social Democratic Party very shortly after it was formed many of the subsequent troubles of the party arose from the way its original leaders fell out among themselves - more or less, Owen

versus the rest. After the 1987 general election Owen could have pre-vented the break-up of the Alliance or could probably have had the leadership of a new merged party. He chose to stand apart. It was not that he particularly disliked David Steel the leader of the Liberals; the two men just had different temperaments and Owen was not prepared to live

with fudge. When Owen talks of Neil Kinnock, the Labour leader, he tends to point his finger towards his bead and say: "He hasn't got it here." No doubt he would say the same about Paddy Ashdown, the leader of the SLD. And in both cases he would be right. Neither Kinnock nor Ashdown has Owen's

### *Observer*

intellectual grasp. Owen keeps a check list of what Kinnock, in particular, has to do before Owen will give his approval. It includes accepting British nuclear defence forces and proportional representation. Possibly Kinnock will come round even on those scores. Yet the chances of Owen joining a party of which he is not leader, or of trimming enough to become leader of a wider grouping, seem to me utterly

Not worth it

The Treasury will be glad to know that the Foreign and Commonwealth Office has been catching up with its accounts. The FCO has sent us a bill for telex calls made by our Africa Editor during the Foreign Secretary's trip to Mozambique in July 1986. The bill is for 3547.16 meticals at 60.241 to the £ and comes out at \$58.88. "I apologise," writes the lady at the Foreign Office, "for the lengthy delay in requesting payment, but it has taken some time to obtain the bill and identify responsibility for the calls." At least her letter is marked

### Careless banks

Readers often write to us - for which many thanks about misprints in other papers. There was one in a national newspaper the other day advertising an art show: "From Freud to Money," and Official Airlines Guides are currently claiming credit for what they call their "consis-

tant accuracy."
The reason why we seldom draw attention to them is that we make too many of our own



to draw any pleasure from other people's. Indeed quite a lot of Observer's correspondence is about misprints in the FT, sometimes even in this But there is one subject

which readers have been writ-ing to us about recently which suggests a general irritation. It is the habit of banks to get their customers wrong. One reader writes that although his wife has been banking with the Midland since 1975, she has just been made a Griffin Saver - a special category for children - and will receive the Midland Number One magazine on her 11th birthday. Another reader has passed

on to us a £500 index-linked National Savings Certificate. He says that he opened it by mistake because it was in an envelope firmly glued to another that was addressed to him. and wants us to take up the business of excessive glue with National Savings. In the light of these complaints, and many more like them, I was surprised last

week when Professor Robert Jack, the chairman of the committee on the reform of banking practice, said that he had found that British banks were rather popular. All one can say is that there is a remarkably high level of tolerance.

Irish prize

Roy Foster, the historian who received accolades from all over the place for his recent book, Modern Ireland 1600-1972, has not won the Christopher Ewart-Biggs Memorial Prize. The reason is very simple: he is chairman of the panel of jndges, and therefore ineligi-

The prize is given in honour of the British Ambassador to Ireland who was killed by the IRA. Ewart-Biggs's widow, Jane, lives on very actively as Labour spokesman in the House of Lords.

This year the prize money has been doubled to £4,000. It goes to any writer whose work has promoted peace in Ireland, the strengthening of links between Ireland and the UK, or closer co-operation between the partners of the

European Community.
Two journalists have been shortlisted for their Irish reporting: Mary Holland of the Irish Times and The Observer, and David McKittrick of The Independent. Also shortlisted are Thomas Flanagan for Tenants of Time, Brian Friel for Making History, and Tom Pau-lin for Fivemiletown. Michael Foot will present the award . on March 6.

Meanwhile, the 40-year-old Foster has been given a personal Chair in modern British history at Birkbeck College. London.

### Translations

■ Here are some useful guides: "Oui, en principe," in French means "no." "Medium dry" on a bottle of wine means "sweet" and "Bruno does us proud" means "he lasted

# Ramar Textiles

INTERIM STATEMENT

UNAUDITED RESULTS FOR THE HALF YEAR ENDED

25th NO	VEMBER 1	988	
2000 Half Ye 25.1	er to 1 11.88	lalf Year to 27.11.87	Year to 27.5.88
	3,768	9,163	20,023
Profit/(Loss) Before Taxation Taxation Charge/(Credit) Profit/(Loss)	426 157	(375) (131)	14 (21)
Attributable toShareholders	269	(244)	35
Earnings/(Loss) Per 5p Share Basic 2	12p	(1.97p)	0.24p
The figures for the year to 27th May 19 Group which carried	968 are abrid; an unqualifie	ged from the full ac d audit report.	counts of the

Profits before taxation for the six months to 25th November 1988 from garment manufacturer and distributor, Ramar Textiles plc, have increased to £426,000 compared with a riamar recurs pic, have nicreased to 2420,000 compared with a loss of £375,000 for the comparable period. The comparable period's result was affected by the attermath of the fire at one of the group's warehouses in November 1986. Turnover was up by 50.2% from £9.2m to £13.8m.

In December, the Company's founder, Michael Radin retired as Chairman and Joint Managing Director and agreed to become Life President. He was succeeded by his son Colin who has initiated a restructuring programme, identifying important market areas requiring particular design and marketing skills. The reorganisation will maximise the effectiveness of the group's

Commenting on the results, the new Chairman Colin Radin said "significant progress was made during the first six months, with record levels of sales and all our operating divisions reported satisfactory progress."

"We continue to pursue our insurance claim in respect of consequential losses associated with the warehouse fire which we suffered. We hope that discussions now taking place will lead to a satisfactory conclusion in the fairly near future.

"Sales are expected to expand in the second half as is traditional in our business. Orders from our customers in the High Street are good and demand for our product continues to improve

Colin Radin, Chairman/Managing Director

### Stefan Wagstyl reports on Japanese retailing, increasingly the focus of trade disputes

moto's corner shop, with its paraffin stove and wooden shutters, is an infikely site for a trade war. But it is site for a trade war. But it is increasingly probable that the next trade battle between Japan and the West will be fought over the goods Mrs. Hashimoto has on her shelves. Following the publication this month of yet another record Japanese monthly trade surplus, Western trade negotiators are casting around for new sticks with which to beat the Japanese. Top of their list is Japanese. Top of their list is Japan's multi-layered retail distribution system — often condemned in the West as an impenetrable mane perfect for keeping imports out of the 1.5m tiny shops, including Mrs Hashimoto's in Tomigaya, a

Hashimoto's in Tomigaya, a suburb of Tokyo.

But persuading the Japanese Government to cut swather through a system which has evolved over hundreds of years will not be easy and may prove fruitless, since if doors are opened to foreign companies, they will also be opened for Japanese rivals. "The conflict between the US and Japan will be tougher in 1989 than last year," warns Mr Yoh Kurosawa, deputy president of the industrial Bank of Japan. It is the distribution system which is being singled out for attack after Japan's main trading partners—the IS and the European Community—have tried almost every other way of bringing down the Japanese

bringing down the Japanese

A 60 per cent appreciation in the yen since 1985 has slowed down export growth but failed to halt it. Export controls and anti-dumping actions have had an effect on specific companies at specific times, but overall they have failed to force Japa-nese exporters to pull back. Exports last year were \$265bn (£150bn), 56 per cent more than

On the import side, the successive abolition of formal Japanese trade barriers has brought some successes notably almost \$10m a year of cigarette exports for the US. Imports across the board are growing rapidly — but from such a low starting point that they barely offset the increases in exports. Mereover, in recent months the pace of import growth has slowed, to the increasing annoyance of West-

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ern countries. Desnite the removal of most formal import barriers, Japa-nese markets remain difficult to penetrate. Imports of manufactured goods as a percentage of gross national product amount to only 3 per cent in Paris.

# Elusive key to Japan's closed shop

Japan, much lower than the levels in other industrialised

countries.

Western trade negotiators argue that the existence of so many small shops in Japan is a trade harrier — on the grounds that it is easier for an importer to sell to a single large customer than dozens of small ones. Improved home than dozens of small ones. Improved home forms to the contract that the contract has ones. Japanese laws, they point out, protect small shops by severely limiting the opening of large stores, including supermarkets.

We have reached the point where the barriers are no lon-

ger outside Japan but inside the Japanese system itself. We must target specific areas of the distribution system," says one Western diplomat in

Tokyo.
On the face of it, there should be plenty of scope. Japan has more shopkeepers than the US, where there are twice as many people. Small stores, employing less than five people, account for 57 per cent of retail sales, against 2 per cent in the US and 5 per cent in the US and 5 per cent in the UK, according to Daiei a leading supermarket. Daiei, a leading supermarket

company.
These shopkespers are served by so many wholesalers that, on average, goods have to pass through twice as many hands before they reach the customer as they do in the US. Japanese consumers are becoming aware of the cost of this system because, as they travel abroad, they see for themselves that retail prices in Japan are about 50 per cent higher than in the US.

This puts retail reform on the domestic as well as the international agenda. Mr Noborn Takeshita, the Prime Minister, promised at last year's Western summit in Toronto, to look into the matter. Various government agen-cles are expected to present a report on possible changes by May - in time for Mr Takesh ita to put some proposals before this year's summit in

Unfortunately he is unlikely to move fast enough to placate foreign critics. Geography limits the Government's freedom of action. There is little room in Japan's exowded cities for ing stores or for roads wide enough for big delivery lorries. Japanese consumers like the convenience of local shops where they can buy food as often es three times a day. Small shops are the life and

soul of local communities. More importantly, after the farmers, shopkeepers are Japan's most entranched con-servative lobby with support-ers in the highest ranks of the ruling Liberal Democratic Party Together with their families they account for some 20m wotes, most of them cast for the LDP. Especially in urban areas, where it is weakest, the LDP relies on retailers to can vass support at election time. Mr Hiroshi Mitamura, chair-man of the National Shopkeep-

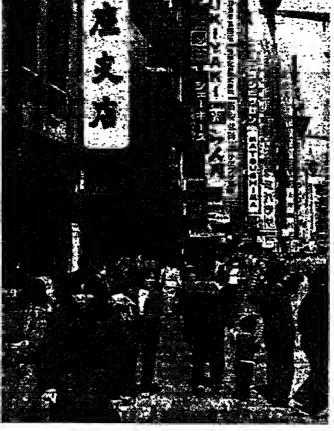
man of the National Shopkeepers Promotion Association, says: "The hig stores stuff the politicians with money but we have the power of 20m votes."

Because of this, small shopkeepers are protected by laws, which allow them to hold up the opening of hig stores for 10 years or more. Mr Isao Nakauchi, chairman of Daiel, says chi, chairman of Daiei, says that to open a new supermarket the company has to submit 73 applications for 26 permits under 12 different laws.

The proliferation of small

shops also gives manufacturing companies tremendons power in the market. Opportunities for anti-competitive tactics abound. For example, in consumer electronics, Japanese manufacturers control vast families of small shops, which together account for 45 per cent of sales. Matsushita alone has 25,000 stores, most of them family-owned, which rely on Matsushita for 70-100 per cent of their stock. Goods are supplied through Matsushita-con-trolled wholesalers.

The company says a retailer cannot actually be stopped



A shopping street in Tokyo: Japan has more shopkeepers than the US, where there are twice as many people

from selling imported goods but in practice few do. Moreover, even when they are dealing with independent wholesalers and retailers, manufacturers have various ways of tempting shopkeepers into cosy relationships. For example, sale-or-return terms are common in Japan, in effect making the retailer reliant on his suppliers' credit. The manufacturers play their part in maintaining high retail mar-gins by printing artificially

high prices on boxes. But the old order is slowly crumbling. Some 140,000 small stores closed between 1982 and 1985 - the first decline recorded by the Ministry for international Trade and indus-try since the Second World War. Around 200,000 more have

shut down since. Partly, the small shopkeepers' profit margins have been squeezed to the point where they cannot afford to carry on. As small stores decline in numbers, the large stores grow. Despite the legal difficulties, large store operators last year increased their floor space by 5 per cent - against 2 per cent

places for, say, social workers or industrial safety experts.

The board would be chaired by an English or Scottish judge. We hope thus to achieve a

compromise between a judge sitting alone and the uncer-tainties which would arise if

juries were reintroduced into

personal injury trials. We see it as a simple, effective reform, allowing an element of public

in the early 1980s.

The most dynamic groups are not the traditional highmargin luxury department stores – such as Takashimaya or Mitsukoshi – which have co-existed with small familyowned stores since before the war. The threat comes from the supermarket and chain store groups which first became significant in the 1960s including Daiei, Nichii, and Ito-Yokado, which runs the 7-eleven convenience stores in Japan. Small shopkeepers par-ticularly resent 7-eleven because it opens new stores by recruiting renegade store own-ers as franchise-holders.

If they are to force the Japanese Government to speed up change, Western trade negotiators will have to identify practices aimed specifically at keeping out imports. This may prove very difficult because most of the anti-competitive devices are designed to keep out potential Japanese rivals as well as foreigners.

Mr Masami Atarashi, president of the Japanese affiliate of Johnson & Johnson, the US toiletries and drugs group, says:

It is just as difficult for Japanese companies as for foreign ones to break in." For example, in the 1960s, Kao, a leading cosmetics group, found the restrictive agreements such an obsta-cle that it spent 10 years building its own distribution

system, based on 24 exclusive wholesale companies. Moreover, there is no guarantee that foreign companies will necessarily benefit if anti-competitive practices are outlawed. It is hard to imagine, for example, that Matsushita will be any less powerful in a reformed market than it is now. It already has first-rate contacts with the large stores as well as its family of shops. And if it should falter, Sony, for example, will surely be as well placed as Philips or Sam-

Even when it comes to importing, Japanese companies have shown themselves a match for foreign groups. The electronics companies have grown adept at importing radios, clocks and other things from their cheap-labour facto-ries in South East Asia. The biggest importer of cars from the US is Honda. Also, the supposed preference of hig stores for foreign goods can be exag-gerated. Datel, often cited as a leader in promoting imports, has indeed increased sales of foreign goods by 41 per cent since 1985. But they still formed less than 11 per cent of last year's sales.

sting to take advantage.

In the view of many long-es-tablished Western companies in Japan, there is no substitute for learning to cope with the Japanese system. Mr Atarashi says: "The key to success would seem to lie in a corporation's determination to become a genuine insider . . . without losing its own identity.

Different foreign companies have done this in different ways. Coca-Cola has built its own distribution system to win a 60 per cent market share in soft drinks. Schick, the safety razor manufacturer, has secured a 70 per cent market share with the belp of a distribution agreement with Hattori Seiko, the watch and calculator manufacturer. BMW, the West German car maker, transformed its fortunes by drop-ping its local agent and setting up its own dealer network.

One thing these companies have in common is size. The Japanese market requires a higger investment over a lon-ger period than many compa-nies imagine. A Western diplomat says: "Big companies can do it. Small companies give up." Mr Atarashi says: "Never forget this is the most competitive market in the world."

### LOMBARD

### The case against fiscal activism

By Samuel Brittan

late spending and increase taxes in a boom to curb expenditure, irrespective of whether the public sector is already running a large surplus or not? This, after all, is what many of us were brought up to believe. We might observe in passing that the symmetry is often a false one. For the would be active fiscal regulators usually advocate increased public spending in a recession and a higher tax burden in a boom advice which would lead to an ever-increasing role for govern-

Let us, bowever, forget the sub-text and take the fiscal activists at their face value. Notice, too, that I am calling them fiscal activists. They do not have to be fine-tuners in the sense of advocating precise and frequent adjustments. The main point is that they want to use discretionary fiscal policy to mansge demand without being constrained by whether or not the Budget is balanced either now or over the cycle as a whole. (They should be distinguished from the advocates of automatic feedback rules whose research is discussed in February's London Business School Economic Outlook).

We need to rebearse what is wrong with the arguments for fiscal activism. No single one of the objections which follow is conclusive. But they are interrelated and mutually reinforcing and together amount to a compelling case, against fis-cal activism. No apology is made for putting the arguments in terms of risks and possibilities rather than rival dogmatisms.

The first and oldest criticism is that because of lack of knowledge and political and administrative delays, the eventual effect is often destabilising the opposite of what Is intended. For instance, if Nigel Lawson were to raise the tax burden in this late stage of the cycle, by the time his measures had their full effect, he would more than likely be aggravating a downturn rather than moderating a boom. This would be overkill with a vengeance.

By contrast monetary policy can be changed more quickly

WHY SHOULD not the via short-term interest rates ThatcherGovernment reduce and its effects come through soon in frequently calculated variables such as the exchange rate, bouse prices, and other asset prices.

Note too that on the fiscal

front the lags which cause destabilisation are likely to be less with the automatic adjust-ments which cause Budget sur-pluses to swell in booms or decline in recessions (the so-called "built-in stabilisers") than with the discretionary changes the activists like.

The second argument against fiscal activism is that, even if timing were perfect, it still might not work in the way intended. Consumers will often ride out sbort-term fluctuations in income caused by tax varistions and hase their spending decisions on a iong-term or "permanent" view of their income.

A third and more subtle reason is that fiscal and monetary policy have different roles to play, especially in the long run and are not merely alternative ways of managing demand. The true long-term role of fis-cal policy is the mundane one of ensuring government solvency, avoiding a deht trap and containing the interest burden on the National Debt. By contrast, inflation is a monetary phenomenon influenced by monetary policy, even though we lack the precise relationships the technical monetarists hoped to find.

Fonrthly, and ultimately most important of all, the view that the Budget should normally be at least roughly bald, reflects the non-articulated experience of many generations and is likely to the ever-changing econometric relationships on which the fiscal activists wish to rely.

There are sometimes good grounds for departing from balance - automatically in a normal business cycle and perbaps by more in a severe recession or boom. But to suggest that the size of the Budget surplus or deficit should be completely ignored and taxes raised or lowered by any oumber of tens of billions according to some forecaster's temporary vision is a triumpb of technocratic hope over postwar expe-

### LETTERS

### Shackled by CGT

From Mr J. Charles Maisey.
Sir, Your leader "Freedom for UK Savers" (February 22) seeks a laudable objective: a more level playing-field in respect of the treatment of dif-ferent forms of savings. However, in advocating the enhancement of PEPs (per-sonal equity plans), and con-verting them to PIPs (personal investment plans), an opportu-nity is being lost.

The big attraction of private residential investment and pension fund investment is the fact that capital gains enjoy exemption from taxation. This privilege has long attached to British Government Securities (gilts), and in recent years has been extended to other UK fixed income stocks.

But the entrepreneurial or enterprise spirit - that is, equity investment — still labours under Capital Gains Tax (CGT), despite indexation for inflation (which has really only recognised the "civil ser-vant" aspect of the tax). The Business Expansion Scheme (BES) recognises this; it exempts gains in investments held for a qualifying period.

Would it not be more desirable to abolish a tax, rather than create yet another formal savings route which, in some respects, merely institutionalrespects, merely institutional-ises savings yet again? Abol-ishing CGT for individuals would immediately level the playing field between residen-tial property investment, pen-sions, BES, gilts and PEPs, and would immediately discourage the export of capital and the creation of offshore trusts. J. Charles Maisey.

PO Box 21, Regis House, 43-45 King William Street, ECA

### Hobson's cheese

From Mr J.D. Sutherland. Sir, When Kenneth Clarke, the Health Minister, says that it is much more dangerous to cross the road than to eat soft cheese, he cleverly falls to add that, while most people have to cross the road from time to time, they do not have to eat soft cheese. J.D. Sutherland,

41 Westella Way, Hull, Humberside

### The compensation conundrum

From Mr Henry Wiscomb.
Sir, A.H. Hermann points out
(February 23) that the Citizens'
Compensation Bill, to be
debated in the Commons this week, tackles only one aspect of many problems encountered when seeking compensation.

This is true. Action is also needed to give greater access to justice; to increase, through specialisation, the standard of advice received; to cut the delays in the system; and to make it easy to prove needs. make it easy to prove negli-gence. We believe that in deal-ing with the low levels of compensation we can remedy one of these problems and bring

much needed attention to an issue long neglected. In one respect, however, the article is incorrect. The Compensation Advisory Board, which would lay down guide-lines for the courts to use in relation to compensation levels, would not be composed mainly of lawyers. We have simed to achieve a

balance of interests. Two would be medically qualified, two more would represent the legal profession, and four would be appointed from organisations which deal with

opinion into the process with-out depriving indges of their discretion to decide a case. Henry Witcomb, Citizen Action Compensation Campaign, 3 Endsleigh Street, WC1 injured and disabled people. There are also three spare

### Working for women at work

From Mr John Edmonds. Sir, John Gapper's claim (February 20) that most trade unions have not come to terms with changes in the working population does not apply to the General, Municipal, Boller-makers and Allied Trades

Union. In the early 1980s we identified the accelerating shift of employment into the service sector, and adjusted our policies. We developed a programme which not only ludes implementation of our

policy of equal pay, but also broadens the bargaining agenda to include flexible working hours, parental leave and cervical cancer screening. Our publication, The Chang-ing Labour Market, analyses demographic trends and proposes a new bargaining agenda with emphasis on introduction of flexible working hours. These initiatives by the GMB

contrast with government policy. Government hypocrisy is revealed in the recent consultation paper which justifies the

### Australia deals with its economy

From Mr Dick Howard. Sir, I read Mr Peter Frankel's letter (February 22) on Australia's economic position with interest, but found his analysis

and recommendations somewhat bizarre.

A simpler explanation for Australia's plight is that the economy has just been growing economy has just been growing too fast. Deregulation, particu-larly in the financial sector, and an over-relaxation of mon-etary policy after the crash, both contributed to a boom in construction and business investment. Interestingly, retail sales have hardly risen at all in real terms over the

past 12 months. The correct response for an economy which is growing too fast is to tighten economic policy. This the authorities have done. 90-day bank bills have risen from 10.5 per cent in March 1988 to just below 17 per cent now. The budget surplus in 1987-88 was A\$2.2bn; we expect it to be A\$6.5bn in 1988-89. Real wages have fallen in three of the past four years. It is true that Australia's high interest rates have sucked in speculative capital. As the Bank of England might have put it the monetary policy mix was far from ideal. However, the recent 8 per cent fall in the currency and 50 basis point rise in short term interest rates has helped to correct that.

Mr Frankel suggested four remedies, all of which have their flaws: · A withholding tax would not only run counter to the Australian Government's deregulatory policies, but could cause a disastrons loss of confidence in Australia among off-shore investors (who will be vital, 900n, in financing Australia's external deficit). Temporary import duties will simply store up future con-

sumption for when they are removed. If they are not removed, then clearly they are not temporary, and would invite retaliation. Declaring a national export emergency misses the point. Australia's export performance over the last six months has

suffered because the economy

the grounds that "most work-ers in the wages council trades are part timers, many of them contributing a second income to the home." Government ministers may

abolition of wages councils on

blather on about equal oppor-tunities, but the real work is being done by trade unions like the GMB. John Edmonds, John Kamonus, General Secretary, GMB, Thorne House, Ruciley Ridge, Claygate, Esher, Surrey.

### simply cannot produce its staple exports fast enough (in 1967 exporters were selling out of stocks); and because of labour disputes at the docks (it is diffi-

cult to see a Labour Govern-ment sending the troops in).

Lower interest rates would surely weaken the Australian dollar even more, thus building up inflationary pressures further, while a morato-rium on pay increases would, like temporary import duties,

have the effect of storing up troubles for another day.
I am not trying to suggest that Australia does not have its problems. Clearly it does. I would say, however, that the authorities' actions have been along the right lines.

The crucial factor over the next few months is whether the alliance between the Labour Government and the unions can continue to hold wage increases below the rate of inflation for the fifth year running. Dick Howard

ANZ McCauchan 65 Holborn Vinduct, EC1



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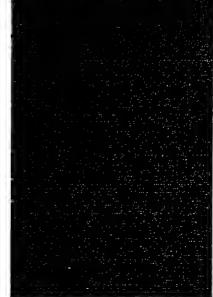
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### FINANCIAL TIMES

Monday February 27 1989



on Wall Street

### A philosophy for buy-outs after RJR

WHEN Peter Goodson toln his young daughter that he was leaving his highly successful mergers and acquisitions job at Kidder Peabody to join buy-out specialist Clayton & Dubilier, she was worried about the

"How many people are there in your new office, Dad?" "Oh, about seven or eight." "And how many people are you in coarge of?" she asked. "None," he replied at which point the little girl put her arms around bim in consolation. She needn't worry.

Clayton & Dubilier is the buy-out firm whose philosophy may serve it best in the post-RJR Nabisco world. Congressmen want hard

facts ebout whether buy-outs are good for the future of corees and investors want to know that they are not being forgotten in the investment banking stampede to earn fees. Clayton & Duoilier, which since its inception in 1978 has acquired 14 companies with an aggregate cost of more than \$4,2bn including Uniroy-al/Goodrich and The Kendall Company, compares favourably on both counts. Figures provided to Congres

sional leaders show that the companies that Clayton & Dubilier has belped turn around achieved an average 72 per cent jump in productivity in the first two or three years of ownership and an average rise in operating profits of more than 50 per cent. Mr Goodson said that these

gains had been achieved without cuts in research and development, capital spending and employment - all areas which critics say suffer in buy-outs.
As for investors, figures compiled by an independent

source, show that Clayton & Dubilier has achieved a composite annual cash return of 102.9 per cent over the full economic cycle of the last 10 years

including the 1982/83 recession. This compares favourably with other funds. For example, documents available show that Merrill Lynch achieved 78 per cent over five years, Gibbons Green 63 per cent over 11 years and Kohlberg, Kravis, Roberts

on sales, whereas Clayton & Dubilier's more than 100 per cent return is cash gains actually realised by investors,

according to the study.

A single fact distinguishes
Clayton & Dubilier from other buy-out specialists - its com-mitment actively to helping managements turn around their companies and even putting in its own partners to oversee restructuring efforts. The skill of most bny-out

firms such as KKR and Glb-bons Green is in timing s deal and pricing it. At Clayton & Dubilier, the only relevant question is whether the company has untapped potential which could be brought ont.

"Timing philosophies are diametrically opposed to ours but both have real strengths and weaknesses." says Mr Goodson, who has advised vir-tnally leader in management huy-outs from his M&A days at

Mr Goodson helieves the time is propitious for a com-pany like Clayton & Dubilier. It helps that the backlash against the Ross Johnson/RJR Nabisco complex has not tonched it like some others because of its proven interest in companies after they have been acquired. There are three major oppor-

tunities. One is the 1992 project in Europe where the company is extremely keen to establish a presence. Mr Goodson believes the opportunities for management magic are particularly exciting in Britain, first, because of its entrepreneurial revival, and second because he identifies many companies which could be expanded Europe-wide.

Japan is another fruitful area. Mr Goodson and his col-leagues are in the process of raising money from Japanese investors who are highly interested in the company's empha-

sis on imaginative managment as opposed to any finely-tuned financial engineering and use of hostile tactics.

Its philosophy seems to be winning fans all around. Clayton & Dubilier just raised \$700m for a \$1bn buy-out fund in little over a month with no difficulty while other investment banks have found raising money hard going.

The third major area is the money hard going.

The third major area is the

US. "I really feel, in the next five years anyway, the critical factor of success is going to be the ability to buy underperforming businesses and make them better," he said.

### Inquiry focuses on 747 door latch

By Roderick Oram in New York

INVESTIGATORS were yesterday focusing on the role a cargo door latch might have played when a large hole was ripped in the side of a United Airlines Boeing 747 near Hawaii last Friday.

US regulators ordered modifications to the latches on about 200 similar Boeing 747s last summer, but gave airlines np to two years to complete the work. The Federal Aviation Administration

(FAA), the agency that ordered the changes, said it would wait for a report on the incident before deciding whether to speed up modifications.

Nine people were killed when they were sucked out through the hole in the United aircraft 10 minutes after it left Honolulu. Although the two starboard engines ingested debris, the pilot was able to land the aircraft safely with the remaining 327 passengers and 15 crew. The cargo door and a large area of fuselage were missing The FAA confirmed that the United aircraft, built in 1970, had passed the tests it ordered last summer. It had not yet been modified but it had been still within the

The cargo doors of 747s came under scrutiny after one partially opened on a Pan Am flight in March 1987. After an investigation, the FAA issued a directive, effective last July 1, ordering tests and the strengthening of cargo door latches on

The changes had to be made within 18 to 24 months depending on the type of latch. Some aircraft had latches with no strengthening plates and until steel plates are added ground crews have to check these locks manually before each flight to ensure the doors are closed properly. Other aircraft already have aluminium plates hut these must be changed to steel. The timetable for this modification was

longer and the doors could be closed with-out a visual before each flight. The United 747 that lost its door on Friday had an aluminium latch and was

awaiting the fitting of steel plates.

The National Transportation Safety Board team, together with three FAA officials, are in Honolulu to begin their work. The aircraft's voice and flight data recorders were removed and will be sent back to Washington for analysis.

Lynton McLain in London adds, British Airways has modified the locking assemblies on the cargo doors of 37 of its 40 Boeing 747-100 and 747-200 series airliners, in line with a directive issued by the Civil Aviation Authority in October 1987. The airline was given until August 31 this year to make the changes which, like those in the US, involve adding a steel plate to the locking assemblies at the base of both carry doors on the jumbo jets. cargo doors on the jumbo jets.

### Majority on Delors Committee Commission moves nearer to consensus By John Wyles in London EUROPEAN monetary ward regions which will

officials believe the Delors Committee of central bank governors, which is considering how to achieve economic and monetary union in the European Community, can reach consensus with probably only the UK dissenting from some of the main conclusions. The governors are

believed to have concluded that steps towards greater economic integration and towards monetary union can he taken in parallel, rather than giving precedence to the former over the latter. Only two further meet-

ings are planned for the 17strong committee which was set up after last summer's EC summit in Hanover to study steps towards economic and monetary union. The committee's report is

due for completion in early Having agreed that a sin-

gle currency area - which could be based on different currencies operating at fixed rates - and a single monetary policy would be the key characteristics of monetary union, they now 59.8 per cent over 13 years.

Those figures include assumptions on the values of companies which they have likely to be discussed by EC not yet sold and realised gains finance ministers in May ment at the Madrid summit in June.

Any institutional development in the monetary area would require a unanimously agreed amendment to the Treaty of Rome, ratified by all national parlia-

Officials say that the committee's work has been little disturbed by the clear

Continued from Page 1

where we stand with China,"

ha said.
The prevailing theme has

heen homecoming, recalling Mr Bush's days in Peking as a diplomst in 1974-75. In an ante-

room of the Great Hall of the

People, designed In Stalinist railway waiting-room style, Mr Bush and Deng Xiaoping, the

Chinese leader, greeted each other as old friends. The

spritely 84-year-old architect of China's recent reforms, proved himself a master of the photo-

opportunity, stealing the scene by prasing the President's fit-

ness and suggesting that they play bridge together. In a series of talks with Chi-

nese officials, the President made clear that the US wel-

comed the recent warming in Sino-Soviet relations leading

up to the visit to China in May by Mr Mikhail Gorbachev, the

Soviet lesder. This partly reflects US confidence in the

strength of current good rela-

Human rights incident

mars Bush China visit



loss of sovereignty

statement of opposition to monetary union made at the end of January by Mr Nigel Lawson, Britain's Chancellor of the Exche-

Robin Leigh Pemberton:

Inside the committee, Mr Robin Leigh Pemberton, the governor of the Bank of England, has broadly reflected a position that monetary union would involve an unacceptable loss of national sovereignty and that the economic integration which will flow from creation of the single market after 1992 will be sufficient to guarantee growth and development in

This view is being coldshouldered, however, by some other participants and the final report is expected to say that the single market will need to be accompanied by further economic integration and monetary co-operation if its benefits are to be realised. The report will probably envisage a steady expansion of the Community's budget with extended financial support for its back-

tions with China. Deng appar-

ently empahsised the problems which will make full normalis-

On Kampnchea, Mr Bush underlined the US view that there must be a rapid with-

drawal of Vietnmese troops, a

coalition government headed by Prince Sihanouk and safe-

guards against the Khmer Rouge returning to dominance and international safeguards.

In his television interview, Mr Bush said he would like

China to take actions to

enhance further investment, with some sort of bilateral

agreement on trade and invest-

ment. He also wlecomed Chinese moves towards a new

patent code and the drafting of

copyright legislation, "which would be very helpful."

continue to export highly sophisticated technology to

China within the Cocom limits

on the export of military tech-

nologies.

WORLD WEATHER

Mr Bush said the US would

ation difficult.

face greater difficulties because of the single mar-

The emerging consensus in the committee foresees a parallei development between further economic integration and a gradual strengthening of monetary co-operation, without defin-ing any timeframe for the achievement of monetary union. Some central bankers favour recommending the adoption of initial measures on the monetary front to coincide with the freeing of capital move-ments from July 1 1990. These would involve com-

pleting the European Mone tary System through full membership of all EC countries, and eliminating the wider hand of fluctuation allowed for the Italian lira and the Irish punt, together with closer co-ordination in the fixing both of national monetary policies and also of budgetary objectives. This plan also emphasises the need to expand the use of the European Currency

The scepticism of the Bundesbank, the West Ger-man central bank, about monetary union is said to be qualified by a desire not to stand outside the majority view on the committee. It has consistently sought many's preoccupation with minimising inflation would be enshrined.

European officials say that the Bundesbank's views about the function and independence from political interference of a federal central bank are expected to be reflected in the final report. Economic diary Page 19

Bankers set

share talks

partnership in Cartera Central

accusing them of running the joint venture as their own and of falling to consult KiO on

important policy.

Cartera Central holds just under 13 per cent of Banco Central and there have even

been suggestions that the Knwaitis might try to sell their share of it directly to the bank to spite the cousins. But this would be difficult because both rides are not specifically because both

sides agreed when they formed Cartera Central at the end of 1987 that neither could sell its

holding without the other's

agreement for five years.
The Albertos, who manage a

construction company, Cony-con, owned by their wives

(who are sisters) have indi-

cated that they would be pre-pared to buy KIO out and run what is the biggest sharehold-ing in Banco Central on their

own. KiO and the Albertos are

likely to meet this week

for bitter

Continued from Page 1

### plans new regime for **Community** shipping

THE European Commission is drawing up plans for a subsidy regime for shipping, linked to the establishment of a Euro-pean flag for Community ton-

The proposals are intended to reverse a drift towards open registers, or "flags of conve-nience," which has reduced the proportion of world tonnage registered in the Commu-nity to less than 16 per cent last year from 31 per cent in

A key aim would be to protect the remaining 143,000 jobs held by EC seafarers. This compares with 276,000 in 1978. Tentative plans for a European flag were put forward two years ago by Mr Stanley Clinton Davis, the former Brit-ish Transport Commissioner,

but made little progress.

However, Mr Karel Van
Miert, the new Transport Commissioner, has put his weight
behind the idea after an informal meeting of Community transport ministers this

cials to prepare positive pro-posals for aid to shipowners to be considered by the Council of Transport Ministers at its next official meeting in June.

open registers such as those in Liberia, Panama and Cyprus. These objectives had been regarded as incompatible, as European shipowners transfer

world crews.
Officials believe they may

country.

The parallel register would be linked to a subsidy scheme, modelled on the EC sixth directive for shipbuilding aid, which would aim to cover the difference in costs between

# By Kevin Brown, Transport Correspondent, in Brussels

Mr Van Miert has told offi-

The proposals have the twin aims of keeping as many European seafarers' jobs as possible with health and the seafarers. ble while bridging the cost gap between European flags and

their tonnage to open regis-ters, largely so they could replace higher-paid European seafarers with cheaper third-

have found a way to resolve this difficulty by setting up a "parallel" register which would be open only to ships already registered in an EC

European and open registers.
Subsidies would take the form of tax reliefs implemented by governments on the hasis of a framework being worked out by the Commission.

officials say several prob-lems remain to be solved before the proposals are sub-mitted to the full Commission for approval in May.

One is that the level of sub-sidy required to bridge the cost gap varies between ships, partly as a result of differ-ences in the number of seafar-

ences in the number of seafar-ers required. However the sub-sidy rules could be framed to take account of this.

O US Commerce Department officials have voiced concern

that "narrow national interests" in the Community could delay the liberalisation of markets after 1992 and that "spe-cial interests" would attempt to deny the reform's benefits to non-EC countries. Page 4

### Khomeini-Moscow link

Continued from Page 1 my message and i hope he will try again in this respect." Mr Shevardnadze, at the end of a successful Middle East

to a fault. said, thought Ayatollah Khomeini's message was full of

Mr Shevardnadze, mindful of the Soviet Union's own Moslem communities near the Iran border, has sidestepped the Rush-

Although the Ayatollah has

### Japan's warrant bonanza

THE LEX COLEMN

Everybody knows the London market for Japanese equity warrant bonds is huge, and everybody knows it is hugely FT-A All-Share Index profitable; and almost every body who is not involved resems it. But the first eight weeks of 1969 have given new meaning to all the old superlatives. Last week, while Andrew Hugh Smith was talking in

nice round figures about £4bn in City iosses, the Japanese brokers were doing their bit for London profitability by generating millions in this, their own peculiar corner of the

There is nothing remotely peculiar about the reasons for the market's hnoyancy, though: with the Nikkei index levitating daily, the attractions of a dollar Eurohond with equity warrants are not diffiequity warrants are not diffi-cult to discover. The warrants ensure a low coupon on the bond; and once the dollar debt has been swapped into yen; Japanese companies end up having horrowed at rates which look embarrassingly low even in the land of the miniscule interest rate. Since the beginning of this

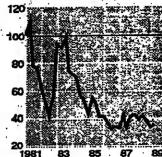
year – which more or less coincided with the Tokyo marconcased with the Tokyo mar-ket splurge occasioned by the death of the Emperor — some \$11.77bn in such bonds have been issued by Japanese bor-rowers. The number of issues is identical to last recovery. is identical to last year's figure for the same period, but the volume three times as high; indeed, the new issue market has already done over 40 per cent as much husiness as it managed in the whole of 1988.

Individual Japanese securities firms all deny having made vast sums of money man-aging, underwriting and trad-ing the bonds and warrants so far this year; but the market as a whole — which the Japanese easily dominate — has clearly made a pretty penny. Fees alone on \$11.77bn in new issues would have totalled over \$260m. And with most issues going straight to a large premium, the community as a whole may easily have made as much again from secondary trading.

Some of this money clearly goes to non-Japanese houses — fees trickle down the syndicate away from the Japanese lead manager, and outsiders are involved in secondary trading - but the main beneficiaries must be those domiciled in market is saying to the con-Tokyo. And given that the four trary. big Tokyo brokers reported a profit on their London operations of only Y14bn (£63m) for all of the financial year to September 1988 -Y10.9bn of it from Nomura alone - the extra cannot be

They bridle at the suggestion

Minorco Share price relative to the



operations on the move. But even if Nomura earns less than 30 per cent of UK revenues from this business, every little helps in the struggle to take London on in more traditional markets. Nikko's and Yamaichi's dependence on it is even higher, with over half the former's revenues and an esti-mated 40 per cent of the latter's coming from this source.
And so far, no end is in sight.
Tokyo, in its wisdom, will not
allow such business to be done on Japanese soil; and in the near term, those involved prob-ably have more to fear from the performance of the Tokyo market than from the bureau-

UK rights issues

The market does not know who or when, hut it is daily expecting a big rights issue. Already it has been through Beecham, Tate and Lyle, RTZ, and NatWest, and now suspects any company that has either made a big acquisition, or is believed to want to do so. But every day the rumours have proved groundless. Despite a 13 per cent rise in the market this year, barely £100m has been raised, less than 3 per cent of last year's total. Either companies do not need money, or a demanding Spring is The first quarter is often

strangely dry, and perhaps this year is just an extreme version of the usual pattern. Some companies may have been surprised by the speed of the raily. or held back by a greedy hope of further rises. However, there are good reasons to expect the Spring rights flood to be lower this year, never mind what the In part, the reasons are spe-

cific. Among the cash-hungry clearers, for instance, NatWest and Midland last week discov-ered a more painless way of boosting their ratios through scrip issues. More generally, though, the corporate sector is brimming with liquidity, after almost a decade of earnings that this particular gravy train almost a decade of earnings keeps their entire London rising faster than dividends.

The new corporate craze for core husinesses has also-brought the cash in, with managements just as inclined to dispose as to acquire. UK companies have long since stopped being dependent on short term Amels, and according to SG Warburg, now have not cash balances equal to 15 per cent of shareholders funds.

Whatever the reason for companies' reluctance, it surely cannot be fear of a frosty response. While no investor likes an opportunistic rights issue, institutions now have so much cash that they could absorb the record £7bn issued in 1987 over the next few months alone; and unlike last year, they are showing a genuine appetite for equity. On the Continent, after all, French companies have called for FF10hn in the last three months, and In Germany the biggest of the lot, Deutsche Benk and Daimler, have issues on the way.

### Minorco Minorco seems to be having a

little trouble deciding whether its new offer for Consolidated Gold Fields is worth 20 times earnings or 27.6 times earnings. Its first offer calculated the exit multiple on the basis of Gold Fields' attributable profits being £149.3m, but this has now dropped to £108.4m as Minorco has decided that its case would look even better if it stripped out Gold Fields' share of Newmont's asset sales and share dealing profits. How-ever, there are a couple of more important reasons ~ aside from price - why Minorco's latest offer document does not make convinc-ing reading. The first is its insistence

that it will not make an all cash offer, and the second is the continuing delay in recruiting some heavyweight figures onto its board to prove that it is something more than an off-shore satellite of Anglo American. Indeed, if the new Minorco management team really is as independent as it suggests, it should have come up with a more adventurous replacement for Mr Harry Oppenheimer than his son. Minorco's shares trade at a 40 per cent discount. to a net asset value of \$3.9bn. which is a measure of the scale of the credibility problem. If only Minorco could point to some action to reduce this discount - other than its bid for Gold Fields - then investors might he more willing to accept its paper. For all its talk of the advantages of hands on management, Minorco's most successful investments to date have been its most passive -Salomon and Gold Fields.

处道

**ADVERTISEMENT** 

# Scottish Life manager confesses

WE ONLY CAME SECOND." Last night, in front of a hushed audience. Scottish Life's General Manager (Investment), Ruaridh Budge made a full, public confession: "It's true. We came second." His

voice was muted, and he had difficulty

in speaking at all. But the results that had brought him close to tears would have left other Investment Managers jubilant. Scottish Life has just come second in Money Managements annual survey of Insurance Groups overall fund performance. No less than 9 out of their 10 funds have beaten their sector

average over both one and three years (to

1st January 1989). For Ruaridh, though, second meant only one thing - not first. After all, this is the group that was Money Management's Insurance Fund Managers of the Year two years ago, whose European Fund came top of all 630 funds† available on its third birthday, and that has established a record

for consistency envied by other groups. It is claimed that Ruaridh offered to translate the LAUTRO and FIMBRA rules. into Gaelic (which might make them easier to understand) but Scottish Life. supremo, Malcolm Murray, said it would be sufficient to do better in 1990 as there was clearly room for improvement.



Ruaridh (pronounced Rory) Budge

Anyone who would like a full, signed copy of the confessions of "The Scottish Office with Life in it," whose results remain amongst the most consistent in the business over the last 5 years, should call Scottish Life on 031-225 2211, or write to them at 19 St Andrew Square, Edinburgh EH2 1YE.

Not income funds.

Not income funds.

1 Not income funds over 2 years to 1st March 1982.

Scottisk Life in a member of LAITED.

Sources: Moving Management March 1989 and March 1982.

Plannad Savings statistics for Not incomence funds, March 1982. Past performance is not a guide to future performance.



In Iran, Ayatollah Khomeini was quoted as saying by Teh-ran Radio after his meeting with Mr Shevardnadze: "I wanted to open for Mr Gorba-chev a window to a great world, that is the world after death which is the eternal one. That was the main thrust of

tonr during which he has pressed for negotiations to end the Arab-Israeli conflict and efforts to consolidate the Gulf war ceasefire, was diplomatic The Soviet leadership, he

ideas. die affair during his tour.

consistently distanced himself from both West and East, he weicomed the Soviet withdrawal from Afghanistan and said there should be co-operation with Moscow



### **FINANCIAL TIMES** COMPANIES & MARKETS

Monday February 27 1989



### INSIDE A bumpy ride for computer groups



Warnings last week of a profits plunge at MBS, the British personal computer dis-tributor, have underlined the shake-out taking piace in a sector which is youthful, Changes in the European market-place before 1992, turbu-

facturers, and frequent shifts in policy by IBM, the largest supplier, means that the industry is rewriting its rules as it goes. Page 25:

### Widows and orphans beware High-coupon Australian dollar bonds have tra-ditionally been the staple diet of Continental

European retail investors. But while many find the coupons irresistible, there are plenty who may be put off by the structure of the deals. As one official comments: "These are not bonds for widows and orphans." Page 22

### The loneliness of the long-distance shopper



--- Memak

Try and buy a pair of shoes in Britain and you can be left sitting in your socks for ages. Shops in the UK have a reputation for treating custom-ers shoddily. Maggle Urry argues in the ness Column that they appear to be staffed mainly by people who know nothing about the products they are

selling. But retailers are now beginning to realise that they have been losing sales through poor service. Page 36

### British Steel - a key to takeover deadlock

A complex takeover dispute between Klock-ner-Werke, the West German steel and capital goods group, and APV, the aggressive UK food processing machinery group, could be resolved in APV's favour by the intervention of another: UK company — British Steel: David Goodhart reports on the possibility of a break in the compants stalemate. Page 22 in the corporate stalemate. Page 23

### Mericot Statistics

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**Gold Fields** 

Klöckner-Werke

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### Widening convulsions from the Nestlé bomb

William Dullforce in Geneva reports on moves to reform the equities market in Switzerland

HE BOMB that Nestle dropped on the Swiss stock market on November 17, when it amounced the opening of its registered shares to foreigners, is still sending shock waves through the Swiss financial establishment.

Evidence of the continuing convulsions came from three

Evidence of the continuing convulsions came from three sources last week. Mr Daniel Begolatii, the senior vice president responsible for Nestle's finance, highlighted the current deficiencies of the stock exchange, when spelling out the reasons for the foods group's decident. decision.
Mr Markus Lusser, the increas-

ingly outspoken president of the Swiss National Bank, warned that in the context of the current merger and takeover wave, Swiss corporate practices had to change if Switzerland wanted to avoid retaliation from the European

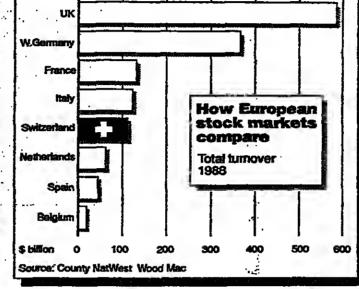
Community.
Swiss hankers, talking to foreign journalists at a briefing organised by their Bankers' Association, emphasised their opposition to discrimination against foreigners on the Swiss equities market, In all three cases the message was clear. Swiss compa-nies cannot continue to operate globally and hid for foreign concerns while clothing themselves in bid-proof armour and main-taining inefficient stock

The full impact of Nestle's decision - taken after it had completed its contested takeover of Rowntree, confectionery manufacturer, in the UK - to remove the barrier to foreign ownership of its registered stock will only become clear in a couple of years. But it has already accelerated modernisation of the stock market. It has shunted the Federal parliament onto another track in revising company law, and it has set boardrooms thinking about Swiss companies three-tier stock structure of registered, bearer and non-voting shares.
So far, the only measurable effect has been a surge in the prices of registered shares (banned to foreigners) and enoding of

the wide premiums at which bearer shares used to trade against them. Between November 17 and last Friday, the Swiss general index rose by just over 6 per cent. The index for registered shares bad

climbed by 22.6 per cent while the bearer share index had fallen by 4.3 per cent. (The index for non-voting participation certifi-cates had put on 4.1 per cent.)

No other company has followed
Nestle's example yet but the mar-ket is alert. Last week the
rumour among brokers was that something was cooking in Ciba-



Geigy and Sandoz, the two big chemical groups. The rumour was enhanced by Ciba-Gelgy's announcement that it proposed to raise its 1988 dividend by 32

per cent. Whether or not Ciba-Gelgy is planning changes to its share cat-egories, the unnsually steep increase in its dividend payout would seem to signal the kind of change in Swiss corporate philos-ophy which has been widely advocated since Nestle's move.

E ssentially, the change would be to recognise that a high share price offers a more acceptable defence against takeover and a better instrument for raising new capital than the current practice of restricting the current practice of restricting the ownership of registered stock, accumulating hidden reserves, paying miserly dividends and compensating shareholders with attractively-priced rights issues.

This system, Mr Regolatti explained, put the cost of new equity capital for Nestlé at 15 to 16 per cent of the sum raised. Coupled with the 3 per cent government stamp duty and bank commissions, the cost became at least double that of Nestle's inter-

national competitors. The very smallness of the Swiss equities market was another crucial element in Nestlé's calculations The Swiss market could have

absorbed only SFr350m to SFr400m in new Nestlé equity within two years - a mere "drop on a hot stone" for a company that last year spent SFr7bn (\$45bn) on acquisitions. Mr Regolatti was also critical of the Swiss pension funds, sitting on assets of about SFr150hn of which they invest only 5 to 7 per cent in Swiss stocks.

Low liquidity and the absence

of market makers were other defects of the Swiss market which Mr Regolatti saw as partly responsible for the wide fluctuations in Nestlé shares after its announcement on November 17. The liquidity problem was not helped by having shares traded on three major Swiss exchanges

- Zurich, Geneva and Basle-which did not even streamline their operations. A single Swiss stock exchange was a must, Mr Regolatti said.
Some of; these faults are already being corrected in reaction to Nestle's move. Late last year an executive board was created for the Association of Swiss

Stock Exchanges and it has been agreed that, in exceptional mar-ket circumstances, decisions taken in Zurich will be binding on all the other exchanges.

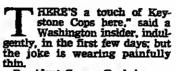
Modernization plans have been concentrated on creating a single electronic equities market during the next three years.

turned the restrictions on regis-tered shares into a hot political issue. After discussing revision of company law for 30 years, the Federal parliament arrived at a draft bill allowing companies to refuse to recognise shareholders only if they were foreigners or if they held more than a fixed portion of the total stock.

Now the reservation against foreigners is being reviewed. The Swiss bankers themselves are asking for it to be deleted "in view of the growing significance of European compatibility."

### Adding up the costs of political evasion

### **Anthony Harris** in Washington



President George Bush is com-ing back to Washington to take charge again of an administra-tion which is in an astonishing mess, less than half-way into the egendary first 100 days when the

tone is meant to be set.

Mr Bush has staked his prestige on Senator John Tower, who will make a gravely weakened Secretary of Defence, even if he is confirmed against the odds. In doing so, the President has offended not only the powerful Senator Sam Nunn, but his own right wing, which has provided much of the evidence against Mr Tower. The right is also incensed about what it regards as a weak-kneed response by President Bush to the Ayatollah Khomeini of Iran.

Meanwhile, the Administration is arrested in ayatollah granding arrested about what it regards as a weak-kneed response by President Bush to the Ayatollah Khomeini of Iran.

is engaged in evasive sparring with Congress over a budget which now looks too cunning by which the President and the Trea-sury are openly at odds with the Federal Reserve – although Mr Michael Boskin, the chief eco-nomic adviser, had the sense to speak up for Mr Alan Greenspan, the Fod chairman restar the Fed chairman, yester-day – and the markets hate it.

Mr James Baker, Secretary of
State, came back empty-handed
from his Nato tour, and the nor-mally diplomatic officials of the

State Department are complaining about his management style to every journalist willing to listen, Meanwhile, his public squabble with Mr Boyden Gray, ethics supremo, over his bank share-holding, has seriously dented his prestige and gossips are talking about a power struggle. The thrift industry rescue plan

is the only decisive move the President has made so far. It is getting a poor reception in Congress and in the Press: the offbudget financing plan looks evasive (although it makes good economic sense) and Mr Nicholas Brady, the Treasury Secretary, did not help by appearing to say the financing plan was devised to satisfy the Group of Seven. More important, the plan evades the hard choices about

the industry. Mr Greenspan would like to let it wither away, by encouraging the thrifts turn into banks. Congress would like to re-regulate it, and forbid the risky investments which caused

Mr William Seldman at the Federal Deposit Insurance Corporation wants to give the supervisors sharp teeth, with the power to raise insurance premiums at ill-run thrifts, and shut them down at six months' notice if that

fails. The Administration has avoided all these alternatives.

This is a sad omen for the budget process. A new administration deserves time to study new policies; but when the policies which do emerge dodge the issues, real doubts are in order.

The issues raised by the budget are getting more difficult by the day. They are summed up in a telling sentence in the Federal Reserve report to Congress on monetary policy: "We expect rather more inflation and rather less real growth than does the Administration, but the differ-Administration, but the differences are not large."

Unfortunately, small differences have a large impact on the deficit, which itself is simply a difference of less than one per

cent between two large sums For example, short-term interest rates have already risen a full percentage point since the budget projections were published. Unless the rise has a clear impact on activity and inflation within the next four months, they will stay high, and the interest rates assumption in the official projec tion may have to be revised upward in July. Each point in Interest rates costs the US Trea-sury some \$11bn (£6.2bn) in debt service in a full year.

The alternative could be just as bad. Suppose the squeeze does work, and the economy slows quite soon: then the growth pro-jections will have to be cut. Each one per cent fall in growth would cost SISM in property. cost \$15bn in revenue.

ishful thinking sng-gests a third alterna-tive: the Fed manages to check inflation without reducing growth at all - although the and the Fed believes that pres-sure caused by growth is the cause of the inflation.

They are much more aware than anyone in Washington seems to be that Gramm-Rudman has failed to cut the deficit in the last two years. On the contrary, it has risen sharply to a projected \$170bn this year. If the July projections - the ones on which the Gramm-Rudman deficit projection are based - are judged to be based on wishful thinking, then the markets might decide that the whole exercise is a sham. We



know what happens when the markets reach such a verdict: it happened in October 1987.

In purely economic terms, one can still paint a more optimistic picture. Inflation could prove no more than a hip, since the prodncer price index shows a picture rather like a boa constrictor swallowing a goat. The bulge which was apparent in mid-1988 at the raw material stage has now subsided and moved on to intermediate goods prices. It could reach final output and disappear.

The fuss about wages must seem to any UK observer over-done; the present 4 per cent trend represents only about a 3 per cent rise in unit costs and is consistent with lower inflation.

qually, the trade deficit could start to improve again as the rush of capital goods imports to feed the 1988 investment boom shates. Capital goods account for more than 30 per cent of total imports, so the impact could be large. There was a sharp rise in capital goods exports in December, which sugsts that domestic demand may

be abating.
While falling investment is cer tainly the least desirable way to cool the economy and help the trade balance, it is the political rather than the economic pros-pect which is potentially alarm-ing. The Administration faces a whole range of tough choices on issues far more important than the thrift bail-out, but shows no ability at this stage to make

those choices.

Meanwhile, Congress is already beginning to respond to the stagnant trade figures with protec-tionist rumbles. Senator Lloyd Bentsen, architect of the omnibus trade bill, is calling for the Presi-dent to use his new powers; and Senator Bentsen is on the President's breakfast list next week as he lobbies for Mr Tower. This is a sinister conjuncture.

dogged attachment to his read my-lips slogans which threatens trouble. Even before interest rates rose and a real danger of over-heating appeared, the Con-gessional Budget Office estimated that his hndget proposals would produce a deficit \$20hn above the Gramm-Rudman target. That gap should now be well over \$30bn.
If it takes another market crash to persuade Mr Bush to face reality and higher taxes, it may be too late to prevent the hard landing which has been

forecast for so long.

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### ECONOMICS NOTEBOOK

### Fair weather friends in Frankfurt

LAST WEEK'S extremely cordial meeting in Frankfurt between. Prime Minister Margaret Thatcher of the UK and Mr. Karl-Otto Pohl, the Bundeshank president, marked an alliance but not an identity of views on European matters.

As in all good alliances, there are elements of self-and mutual deception as well as mutual interest in the Thatchex-Pohi relationship, especially concerning progress towards economic and monetary union (EMU) in the European Comminiby. While Mr Pohl praised Mrs

Thatcher's Bruges speech of last year for its warnings against excessive bureauctacy, centralisation and regulation in Europe, he stuck to his view that Britain should join the exchange rate mechanism (ERM) of the European Mone-

tary System (EMS).
Although extremely sceptical about early progress towards EMU, the Bundesbank president does not rule out agreement on a European cen-tral bank or common European currency at some point in the

distant future.
For the moment, however, Britain's fierce opposition to economic and monetary union is working to Mr Pohl's advantage of his officials. tage. Some of his officials worry that his fulsome praise of Mrs Thatcher could make the Bundesbank appear too reactionary to supporters of monetary union in West Germany and elsewhere. Mr Pöhl knows, however, that as long as Britain is prepared to veto the treaty-changes needed to bring about EMU, he does not have to worry about compromising the Bundesbank's duty to keep inflation in West Germany under control

At the same time, he has his own agenda for turning the existing European Monetary System into an EMU centred on the D-Mark -Mr Pobl's

approach was expounded most clearly in a recent speech in Hamburg, when he described the D-Mark as the key intervention and reserve currency in the EMS, in much the same way as the dollar was the anchor of the post-war Bretton Woods system of fixed exchange rates.
As a first step in building

the EMS into an economic and monetary union, he suggested that all Community countries should subscribe to the same membership rules of the monetary system. That would mean lialy narrowing the wide band of finctnation currently allowed the Lire as well as Britain joining the ERM. A second condition would be

the complete liberalisation of money and capital flows in the Community. This move, which is already in train, would have to be backed by appropriate policies in nations with long histories of exchange control—such as Italy and France - so that the financial markets could be convinced liberalisa-

tion is irreversible. With these two steps com-plets, the EC would be close to a system of fixed exchange rates tied to the D.Mark. Once this proxy for a monetary union was well established, political leaders in the Community could, if they wished, consider whether to have the insti-tutional trappings of EMU such as a European central bank.
Mr Pöhl does not have Mrs
Thatcher's hang-up about loss
of sovereignty. Arguably, a
European central bank would be no bad thing for him, provided it were as autonomous and powerful as the Bundes-

benk. In the nearer term, all will depend on how the European leaders respond to the forthcoming report of the Delors Committee of central bank gov ernors on steps towards EMU.
After meeting Mrs Thatcher

last week, Mr Helmut Kohl, West German Chancellor, caused a stir by saying he thought EMU would not be discussed in great detail at the Madrid summit of Community leaders in June as planned, but in the second half of the year

under France's EC presidency. under France's EC presidency.

This could suggest that
France has plans to shift the
debate towards its own proEMU stance. Meanwhile, Mrs
Thatcher has a good opportunity to obtain clarification of
Mr Kohl'a remarks when she
meets President François Mitterrand of France in Paris for
bi-lateral consultations today.

No gripes ...

One of the more striking points in a lecture by Professor Donglas McWilliams of the Confederation of British Industry last week was the assertion that the financial pressures imposed en managers by the City of London are a good thing.

hing.
No serious gripes about City
short-termism from Mr McWilliams, who recently took np
the post of chief economic
adviser at the CBI, while
retaining his ties with Kingston Business School and BM. Instead, he believes the increased sophistication of financial markets in Britain has forced UK management to take difficult decisions.

Mr McWilliams estimates that perhaps 80 per cent of managers today would agree with him that tough financial discipline is a source of competitive advantage to the UK. One of the unsung advan-tages of the decision to abolish exchange controls in 1979 has been the realisation that Britain can no longer afford levels of profitability below those in other countries.

Peter Norman

### THIS WEEK

THE SIZE of Britain's current account deficit will take centre stage in financial markets on

publication of trade figures for January.

Most City of London analysts believe that high interest rates, engineered by Mr Nigel Lawson, the Chancellor, are slowing the economy. But without an improvement in the outlook for trade, fears that

hase rates may have to rise again could intensify. The consensus of analysts' forecasts, compiled by MMS International, the financial research company, is for a current account deficit of £1.5bn (\$2.6bn) compared with £1.3bn in December.

France's consumer price index for January is released today. No pick-up in underlying inflationary pressures appears likely, although technical factors may have pushed the index up

slightly.
The latest of the regular Franco-Anglo summits takes place in Paris today. Terms of the latest batch of West German securities repurchase agreements are announced on Wednesday. Analysts will be watching for signs that the Bundesbank will tighten interest rates at its council meeting on

Thursday. West German import prices for January, expected today, are likely to show a sharp increase on December. Industrial production figures

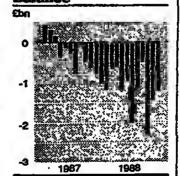
for January are expected late this week and could add to fears of mounting inflationary pressures. Unemployment figures for February are also Interest in Japan will focus mainly on the balance of

payments figures for January,

due on Friday. The customs

cleared trade figures for January have already indicated an another embarrassing increase in Japan's surplus. US statistics are likely to

### **UK Current Account** Balance



focus on Wednesday's figures for personal income and consumption in January which will give a guide to the strength of the consumer sector. Rises of 1.0 per cent and 0.4 per cent are expected respectively.

Leading indicators for January are published on

Friday. Other events and statistics this week (with MMS brackets) include: Today: US weekly Treasury bill auction. Australian retail sales in December.

Tuesday: US revised gross national product in fourth quarter. (2.5 per cent), GNP deflator (4.7 per cent). Fourth quarter balance of payments figures. UK new vehicle registrations in January.

Wednesday: US construction spending (+1.0 per cent). UK Bank of England figures including hill turnover statistics and sterling commercial paper in January. Thursday: US factory orders

(-1.4 per cent). Single family

home sales (+2.0 per cent). UK official reserves. (rise of \$200m), capital issues and redemptions in February. Friday: US auto sales in February. UK Department of Trade and Industry, company liquidity survey in fourth

### February 27, 1989

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### INTERNATIONAL CAPITAL MARKETS

**EUROCREDITS** 

### An unusual high flier for Algeria

WHILE SYNDICATED lending to corporate and sovereign borrowers appears to have slid into mid-winter lethargy, aircraft financing is flying high.

Of the various deals around, perhaps the most unusual is one valued at \$250m for Air Algerie, for which the mandate has been awarded to Citicorp. Unlike most other governments, the Algerians will not allow the aircraft - in this case several Boeing 767s - to be mortgaged to the lenders against repayment. Thus, the loan has had to be structured as 12-year asset financing with-

out the asset. Fortunately, the US Export-Import Bank has stepped into the breach and is providing 62% per cent of the financing directly at its consensus rate for aircraft loans of 8.9 per

The Exim Bank has also agreed to guarantee the difference up to 85 per cent of the

The remainder of the loan will be not to Air Algerie but to Banqoe Exterieur d'Algerie, the Government's arm for foreign borrowings, and will be classified as direct country

And hecause of Algeria's somewhat unusual stance on recourse to the aircraft, lenders will not be able to seek repossession or political risk insurance for their loans.

But even without the security of the assets, bankers noted that the mandate was quite closely contested by a number of banks, all of which are eager to carve out a reputation as a leading provider of aircraft finance.

### EUROMARKET TURNOVER (\$m)

Straights	Corn	FRN	Other
11,934.0	0.0		11,434.0
2,323.8			
5,621.9			2,335.4
4,410.3	186.7	701.B	4,153,6
ry Market			
20,766.3	1,115.1	5,016,0	6,648.0
			5.527.4
			27,070.7
18,793.9	1,465.2	4,465.9	21,904,6
a	edel l	Euroclear	Total
12,0	650.6	45,633.B	58,284,4
			36,747.6
25,			58,263.6
25,0	<b>≯</b> 48.9 .	31,033.1	56,082.0
	20,766.3 12,980.6 18,786.7 18,793.9 C 12,0 9,25,2	5,621,9 13.5 4,410.3 186.7 ry Market 20,766.3 1,115.1 12,980.6 990.6 18,786.7 1,287.9 1,465.2 Codel 12,650.6 9,145.8 25,520.5	5.621.9 13.5 71.1 4,410.3 186.7 701.8 ry Market 20.786.3 1.115.1 5.016.0 12,980.6 990.6 3.582.4 18,793.9 1,465.2 4,465.9 Cedel Eurocker 12,650.6 45,633.8 9,145.8 27,601.8 25,520.5 32,743.1

Also in the market with a hotly sought-after mandate is the national airline of United Arab Emirates which is seeking about \$70m for the purchase of two aircraft from Air-

bus Industrie. Because the borrower infrequently appears in the market and the warm reception accorded a recent syndication for Gulf Air, the loan has attracted unusual interest beyond its size.

Tunis Air, which has recently agreed to purchase three Airbus 320 aircraft with financing from three European export finance agencies, is said to be considering alternative financing offers from private

Also looking to award a mandate is Aer Lingus, which needs to finance two Boeing

Meanwhile, HFC Bank, a subsidiary of Chicago-based Household International, a consumer finance company, is seeking a £200m five-year multicurrency facility. First Chi-

ago is arranger. The loan, which is expected to be fully drawn within three months, carries a margin of 121/4 basis points for the first 2½ years, rising to 17½ basis points thereafter.

There are commitment fees for those lending £15m of 7% basis points, five basis points for commitments of £10m to £14m and three basis points for commitments of £5m to £9m.

JP Morgan, after a delay of about a year, launched its £200m commercial paper programme backed by home mort-gages from Canadian Imperial Bank of Commerce. It is fully backstopped by a £200m revolving credit

£200m revolving credit arranged by SG Warburg. Morgan said the initial reception had been warm and it expects that the programme will be fully utilised within three to four weeks.

Among other things, the launch of the product had been held up by confusing and sometimes conflicting requirements of the two leading rating The programme is rated A-1 by Standard & Poor's and P-1 by Moody's Investors

Norma Cohen

INTERNATIONAL BONDS

# Counting the cost of high coupon Australian \$ deals

COUPONS IN the Australian dollar sector of the Eurobond market keep reaching record levels. Last week saw two oneyear issues with 20 per cent coupons, and a third, a A\$50m deal for Banque Genérale du Luxembourg (BGL), with the current high of 20% per cent.

Not surprisingly, demand for all these bonds was good, heavy analyth in the case of a

heavy enough in the case of a Kredietbank issue brought by Credit Suisse First Boston for it to be increased from A\$60m to A\$80m. Syndicate managers are forecasting that if the Australian dollar drops back to recent levels, there will be a rush of similar issues.

High-coupon Australian dollar bonds have traditionally been the staple diet of conti-nental European retail inves-tors. If many find the coupons irresistible, however, there are plenty who should be put off by the structure of the deals. On redemption, the principal can be paid either in Australian or US dollars at the option of the borrower. The foreign exchange rate is pegged at around US\$0.80 per Australian

Essentially, the investor

writes a type of currency call option to the borrower and is compensated by the higher coupon. Eurobond houses are sharply divided as to whether investors understand the impli-

cations of this option.
One official commented:
"These are not bonds for widows and orphans. Investors seduced by the coupon should be aware that they could be hadly stung if the Australian dollar rises against the US cur-

Others felt that relatively few small investors would end up owning the bonds, claiming that the large retail outlets exist to protect their clients from undue risk.

Several houses have done calculations showing the possible effects of different currency movements on the bonds. The BGL issue, lead managed by Bankers Trust International provides a useful example. The figures below were not pro-vided hy Bankers Trust and were based on Friday's market conditions.
The BGL bonds were

launched at 101% with a 20% per cent coupon. End investors could buy the paper at around

100%, giving them a nominal offer yield of 19.35 per cent. An investor could buy a straight Australian dollar Eurobond, where one-year paper currently yields around 16.90 per cent. On a crude yield

basis, then, the option costs the borrower 2.45 percentage points. Put another way, the investor receives 2.45 percentage points in yield as payment for the foreign exchange risk on the call option written to

Working forward, if the bonds are redeemed in Australian dollars, each A\$1,000 bond will pay A\$1,202.50. If the redemption currency is US dol-lars, investors will receive

At current exchange rates for the Australian dollar of around US\$0.82%, if the BGL bonds are redeemed in US dollars, the net yield in Australian dollar terms falls to 15.39 per

In other words, if the Austra-lian dollar remains at current levels, or rises further, the currency option has a dramatic effect on the bonds' redemption value. The more the Australian dollar appreciates against the US dollar, the lower the redemption yield of the bonds in Australian dollar

In that case, investors would do better if they bought one-year straight A3-denominated bonds and took the near-17 per cent yields currently available. In the opposite case, where

the Australian dollar falls below US\$0.80 to, say US\$0.78, then investors are "in the money," receiving the full 19.65 per cent yield. As one official points out, however, all the above calcula-

tions assume that investors are paying for the bonds with Aus-tralian dollars and are happy to receive their principal in that currency. What do you do if you're a German investor paying in D-Mark?" asked one Eurobond official. Continental investors have to take a further level of cur-

rency risk into account. They not only have to have a firm view on where the Australian dollar will be in a year's time, they also have to consider their local currency risk.

"Suddenly you see why these coupons are so high," said a bond salesman. "Yon need

very nimble foreign exchange capability to be sure of protecting yourself from the redemption option."

A further point made by the

comanager of one of last week's deals is that only investors intending to hold the bonds to maturity should buy the paper. "The bet is on the currency and you will not see secondary market prices which make it economical to seli

these bonds before maturity."
For the issuing houses, the high-coupon deals offer a pricing challenge. They have to attach a value to the currency option, because this is usually split from the bonds and traded as a separate commodity by the borrower.

Where the issue is swap-related, the borrower sells the option to the market and uses the proceeds to subsidise the the proceeds to subsidise the swap. The timing of the deals is thus dependent on several variables, from the currency, to option prices to swap rates. The particular currencies involved in the deals also exactrate the difficulty for the lead managers. The Australian dollar is a very volatile currency, capable of dramatic fails

and sharp rises.
To price the redemption option, houses essentially cal-culate the odds of a particular movement in the relationship between the two currencles. Other houses use their own volatility assumptions to check the option pricing before deciding whether to buy the bonds.

The Australian dollar sector-

is additionally complicated by a heavy volume of interest payments and principal redemptions due in March Researchers at ANZ McCaughan estimate that up to A\$200m of interest and principal will be paid in March, making the sector vulnerable to investors choosing whether to remvest

in the currency. Coupon payments tend to be treated by investors as current income and are less likely to be reinvested than the principal payments. It is possible, however, that many investors have booked their funds elsewhere by selling their currency exposure in the forward markets. If they do prove reluctant to reinvest, it will be bad news for the

Andrew Freeman

24th February, 1989

	NEW INTERNATIONAL BOND ISSUES														
Borrowers	Amount m.	Maturity	Av. life years	Coupon	Price	Book runner	Offer yield	Borrowers	Amount m.	Meturity	Av. life years	Coupon %	Price	Book runner	Otter yield
US DOLLARS								Godo SteelS**	70	1993	1	(2)	100	SBC	
BP America Inc.●	200	1998	7	10	101%	Morgan Stanley Int.	9.645	KYC Machine Ind. 8-4-4	50	1994	_	( <sup>1</sup> 2) ( <sup>1</sup> 2)	100	SBC	
Yasuda Trust & Fin.HK	120 200 125 400	1996 1999	10	1012	101.925		10.184	Osaka Diamond Ind.5/r/x	50 30 20 100	1004		( <del>1</del> 2) .	100	Credit Suisse	
Ford Motor Credit	200	1992	3	10	1013g	Goldman Sachs Int.	9.453	Full Teldes Co.5**	20	1903	· -	$\{1_{2}\}$	100	B.della Svizzera Ital	
DKB Asia Ltd.	125	1999	10	10.4	101.9	Shearson L'man Hutton	16.090	Cerus BV(i)++	100	1994	-	44	100	S.G. Warburg Socitic	4.29
Nissho Iwai Corp.	400	1993	4	(4½)	100	Nomura Int.	*	Lapine Co.5**	35	1993		(¹2)	100	Benca del Gottardo	
Nissho Iwai Corp.(e)4	400	1996	4	(41/2)	100	Nikko Secs. (Europe)	*	Shikibo Co.5**	35	1996 -	/ ·-	· (²2)	.100 -	Swiss Volksbank	· "
Eisai Co.	300	1993	4	(4%)	100	Nomura Int.	*	ECUs							
Atsugi Motor Perts	100	1993	4	(4 <sup>1</sup> 2) (4 <sup>1</sup> 2) (4 <sup>5</sup> 8) (4 <sup>3</sup> 8) 10 <sup>1</sup> 2	100	Daiwa Europe Mitsui Finance Int.	40 470			4000		97.	1013	San Paolo Bank	B 581
Mitsul Bk Luxembourg  Skopbank	50	1999 1999	10	1012	102 102	Nomura Int.	10.172 10.172	EB\$	100 50	1996 1994	. '	87	603	Kredielbank ist.	8.5E1 7.533
Royal Bk Scotland(k)	250	2004	15	107	994	Merrill Lynch	10.225	Kredietbank int.Fin(f)◆	ĐU	1964				TO BOX OUT THE PIE	
	230	2004	13	10-7	22.2	morra Cylica	TO.L.S.	STERLING							
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Ontario Hydro	500	1999	10	10%	101%	Merrill Lynch Canada	10.604	Hammerson Property	100	2013	243,		28.888	Kleinwort Benson	10.751 9.791
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Kredietbank Int.Fin(d) ◆	80	1990	1	20	10134	CSFB	17.936	FRENCH FRANCS							
Svenska Handelsbanken	50	1991	ż	1612	101%	Hambros Bank	15.418	Rhone Poulenc Comm.Fin◆	500	1994	5	94	100%	Credit Agricole	9.057
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Finance for Danish Ind	100	1994	5	634	101%	Deutsche G'Z-D.Komm.	6.301	Ind. Dev.Bank Turkey **	10bn	1997	6	8	100	Nikko Secs.	6.090
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New Issue

February 1989



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### INTERNATIONAL CAPITAL MARKETS AND COMPANIES

# £500m Eurobond

By Andrew Freeman

ABBEY NATIONAL, the UK building society which is currently seeking approval from its members to become a public limited company, intends to exercise its right to redeem a floating-rate Eurobond before its final maturity in 1981.

The £500m notes will be called at per on June 21, subject to the society's members approving the conversion process at a general meeting on April 11.

April 11.
The society is also arranging

The society is also arranging for two other floating rate issues, due in 1993 and 2000, to be modified so that their terms and conditions clearly allow the conversion to company sistus. Bond holders will be given an option to require redemption of the notes at par at specified dates after conversion.

Mr Gareth Jones, treasurer, said the evertise of the call. said the exercise of the call option would allow a consideroption would allow a considerable saving in borrowing costs.
Abbey National has been a frequent borrower on the Euromarkets this year and has achieved funds at a cost below London interbank offered

Andrew Free

· Royal Bank of Scotland has armounced the launch of a US\$250m bond issued in US capital markets. The deal marks the first time RBS has

tapped the US market. The 15-year bonds came with a 10% per cent coupon and were issued by lead manager Merrill Lynch Capital Markets via a specially-created vehicle, RBSG Capital Corporation. The proceeds will be used to finance the recent acquisition of Citizens Financial Group.

### Krupp chief named

Fried. Krupp, the West German steel and engineering group, has named Mr Gerhard Cromme to replace Mr Wilhelm Scheider as managing board chairman on March 1, writes Our Financial Staff. Mr Cromme is currently

managing hoard chairman of the Krupp Stahl steel unit. Separately, Krupp said it was in talks with Mannesmann, the engineering group, over possible co-operation in industrial plant construction.

# Abbey plans | Shake-up in Spanish bank stakes

A RAPID and potentially bitter reallocation of important shareholdings in two of Spain's Banco Central and Banco Espanol de Credito (Banesto) is likely to start today following the collapse on Friday night of

the collapse on Friday night of ambitious plans to merge the two banks.

Some 5 per cent of Banesto is stratake, and a further 6 per cent of Baneo Central. In the face of unrelenting hostility to the merger. Mr Mario Conde and Mr Alfonso Escamez, the chairmen of Banesto and Central respectively, agreed on Friday. chairmen of Banesto and Central respectively, agreed on Friday to bring the nine-month long merger process to an end. Their decision had the support of the Bank of Spain, the country's central bank.

The merger would have created Spain's biggest bank with season of \$50km. But it was

assets of \$50bn. But it was figreely opposed by Cartera Central, a joint venture between the Kuwait Investment Office (KIO) and two Spanish cousins, Mr Alberto Cortina and Mr Alberto Alco-

Carters would have been the higgest shareholder in the merged bank, but as part of the agreement to end the merger,

itis to put its holding of around 2 per cent in Banesto on the 2 per cent in Banesto on the market, Just over 3 per cent of Banesto, belonging to Mr Juan Abello, Mr Conde's estranged business partner who resigned as Banesto's vice-president on Thursday, is also up for sale.

The Bank of Spain is opposed to Banesto huying the stock direction because Banesto huying the stock direction because Banesto

stock directly because Banesto has been forced during the past few months to huy large amounts of its own equity to keep its share price equal to Banco Central as required by

Banco Central, as required by the merger agreement.

According to reports in Mad-rid yesterday, Mr Conde will try to buy the stock and dis-iribute it initially to Banesto employees and friendly clients, who would then be free to who would then be free to trade it on the market. Shares in both Banco Central and Banesto were suspended on all Spanish markets on Friday and it was not clear late yesterday when trading would resume. Under the merger agreement, both banks had held their share prices could since October and

equal since October and Banesto shares could fall once they are quoted again. Both were trading at Pts4,750 (\$114) when the market closed on KIO in Spain were scathing in

Banco Central's shareholdings, meanwhile, have been complicated by a decision by the KIO to sell its 48.8 per cent share in Cartera Central, its joint venture with the Albertos, who have a small control-

ling majority.

KIO's participation in Spanish banking has always been controversial, though the Goverument has restrained its irri-tation because of the large and welcome industrial investment the group has made in Spain since 1985. But the boardroom infighting at Banesto and the Albertos' overt attempt to stop a merger which the govern-ment had encouraged has made the Kuwaitis distinctly

The last straw appears to have been the recent intense publicity and lurid magazine pictures surrounding the adulterous affair hetween Mr Alberto Cortina and the Marquesa de Cubas. KIO is run nominally from London, but observers suggest that the sen-sitivity inside Moslem Kuwait to such a public scandal can-

their criticism of the way the Albertos have handled the partnership in Cartera Central, accusing them of running the joint venture as their own and of failing to consult KIO on important policy.

Cartera Central holds just under 13 per cent of Banco Central and there have even been suggestions that the Kuwaitis might try to sell their share of this, or about 6 per cent, directly to the bank to spite the cousins. But this would be difficult, as hoth sides agreed when they formed Cartera Central at the end of 1987 that neither could sell its holding without the others agreement for five years.

The Albertos, who manage a construction company, Cony-con, owned by their wives (who are sisters) have indi-cated that they would be pre-pared to buy KIO out and run what is the biggest sharehold-ing in Banco Central on their own. KIO and the Albertos are likely to meet this week to discuss the transfer of KIO's \$400m holding in Cartera Cen-tral.

### locked in talks to save Co op By Haig Simonian

**Creditors** 

THE 120 creditor banks of Co op, the troubled West Ger-man food retailer new majorman food retailer now major-ity owned by four interna-tional banks, were yesterday locked in a second round of urgent negotiations to save the highly-indebted company. Meanwhile, it emerged that Co op would have to declare bankruptcy if agreement were not reached this week. According to reports, a leaked study hy the Treuverkehr accountancy group showed that Co op's accounts had a "defi-cit" of DM436m (\$330M). If fur-

ther unspecified "open risks" were included, the figure would rise to almost DM1.18hn. German corporate law requires a company to take remedial action within three weeks of becoming aware of such a position or else declare itself bankrupt. The accountant's report was submitted on February 10, implying Co op's creditor banks have until the end of this week to agree a

rescheduling. Last week, Mr Hans Friderichs, Co op's new supervisory board chairman, cited a March I deadline for agreement. The supervisory board is meeting tomorrow and has already called a press conference for tomorrow, presum-ably to reveal its deal with the creditor banks and plans to

improve profitability.

However, chances of a rescheduling accord appeared

rescheduling accord appeared mixed yesterday after failure to agree on Friday.

At stake is the question of how to reschedule the company's large debt, estimates of which vary from DM4.3hm to DM5.9hm. The proposals put forward by the six "pool" banks which are now co-ordinating the group's credit are sting the group's credit are thought to include a commitment to renounce certain obligations and maintain other credit lines until end 1992, a moratorium on interest and an mjection of funds.

The signs on Friday were that the plans had run into stiff opposition, with a group of banks calling for greater sacrifices on the part of the six

### Threat of liquidation over Koor Industries temporarily lifted

THE THREAT of compulsory whose operations have been liquidation hanging over Koor Industries, the troubled Israeli group, for the past four months

has been temporarily lifted. Bankers Trust, the company's principal foreign creditor, has told the Tel Aviv district court that it is withdrawing the liquidation request filed last October after Koor failed to repay a \$20m loan. But it has reserved the right

to resubmit the request if final agreement with Koor and the Israeli bank creditors is not

reached by April 13.

The lifting of the court case against Koor clears the way for the Israeli Treasury to pump new equity into the company. Koor has asked for at least \$30m of the \$50m to be provided by the Government to be disbursed immediately, on the grounds that it is 60 per cent of the way through its recovery

The decision also enables the Israeli banks to resume normal lending to Koor subsidiaries. severely affected by a shortage of working capital.

Heads of the steering committee of foreign and local banks involved in the Koor crisis are to meet in Tel Aviv this week to tackle the two outstanding issues holding up the signing of a creditors' agree-ment.

These are the extent of the foreign creditors' authority in foreign creditors' authority in supervising Koor's recovery, and a demand by the foreign banks that the dehts of the group's subsidiaries will carry the same guarantees as those of Koor Industries itself.

On Friday, a senior Koor executive vigorously denied local press reports that the

local press reports that the group had offered to sell 50 per cent of its 93 per cent equity stake in Tadiran, its most eral Dynamics. The book value of Tadiran, an important con-sumer and defence electronics company, is estimated at

### Mitsubishi Finance issues **JGB** futures warrants

By Katharine Campbell

MITSUBISHI Finance International is today launching a total of Y140bn worth of war-rants based on Japanese gov-ernment bond (JGB) fntures, one of the largest ever warrant packages.

The issue comes in three parts, of which the largest component is made up of five series of conventional warrants of up to 100 puts and 100 calls on the June contract of the JGB future, which is traded on the Tokyo Stock Exchange. Put buyers expect the price of the future to fall, whereas

call buyers hope it will rise. The warrants are American style, which means they can be exercised at any time up to expiry, which is May 9, 1989. The rest of the issue is made up of a series of "average" and "look back" warrants. Whereas average options have been designed in the currency mar-kets, this is the first time they

have been tried with JGBs.

Here, a call huyer receives the right to the difference between the average price of the JGB future over the life of the warrant and the strike price, which is set at today's Tokyo closing price. A put huyer receives the difference hetween the strike and the average price. These average warrants are cheaper than the conventional kind, about 58 per cent of the premium, according

to Mitsuhishi. On the other hand, look-back warrants, of which the firm has issued previous series, are twice as expensive as the conventionals. They offer the investor the luxury of "looking back" over the period and exercising at the most favourable price with the benefit of hind-

sight. Mitsubishi is left with the tricky part of hedging its exposure. There is no JGB listed option, so the firm has to manage with the JGB future.

### APV courts Scholey on SEN takeover bid

By David Goodhart in Bonn

A COMPLEX cross-border takeover dispute between Klöckner-Werke, the West German steel and capital goods group, and APV, the aggres-sively internationalising UKbased food-processing machin-ery group, could be resolved in APV's favour by the interven-tion of another British com-

pany, British Steel. Klöckner has been resisting APV's attempt to acquire a majority stake in Seitz Enzinger Noll (SEN) which along with Holstein & Kappert (H&K) dominates the European bottle-filling machinery industry. Klockner holds 50.1 per cent of SEN, and wants to merce it SEN and wants to merge it with H&K, which is a wholly-owned Klockner subsidiary.

APV has taken a Cartel Office-approved 40 per cent stake in SEN, which is enough to block a formal merger between SEN and H&K, although some observers think Klöckner could gradually implement a de facto

At the annual shareholders meeting in early Fehruary, Klöckner struck back hy ousting two members of the supervisory board who supported APV's expansionist plan for an independent SEN and refusing to accept Mr Kraljenhoff, chairman of Akzo, the Dutch chemical group, as an APV represen-

tative on the board.
However, Mr Herhert
Gienow, chief executive of Klöckner-Werke, did promise that he would not use his casting vote to implement a merger or create hig job

The situation currently remains deadlocked. APV has promised that if allowed a majority stake it would integrate SEN products into its international sales network, transfer work to SEN from other APV factories, make SEN the APV centre for research and development in bottle-filling, and make SEN's Mannheim office the APV central Europe headquarters.

Republic of Portugal

£100,000,000 9 per cent. Loan Stock 2016

to form a single series with an issue of £50,000,000 9 per cent. Loan Stock 2016

completed in May 1986

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The company has also said it could expand SEN's annual sales from DM400m to DM500m (\$27.5m) and move it from

cent on sales. For those reasons APV has the support of the SEN unions and most of the management

It is also thought to have the

break-even to a return of 7 per

support of Deutsche Bank which is both house bank to Klockner-Werke and owner of Klöckner & Co, the trading group with an 18 per cent stake in Klöckner Werke, which had to be rescued by the bank at the end of last year after heavy losses in oil forward contracts.
British Steel has expressed an interest in huying Klöckner & Co from Deutsche Bank and, although talks are still at a rel-atively early stage, such a development could to the SEN dispute in APV's favour. Sir Ronald McIntosh, chairman of APV, confirmed that he has

been in touch with with Sir

Robert Scholey, chairman of

British Steel, about the SEN battle.

Mr Gienow is known to be hostile to a British Steel take over of Klöckner & Co, both because it could give a rival steelmaker a large stake in Klöckner-Werke and because it would leave British Steel in charge of distributing Klock-ner-Werke's steel.

Recently Sir Ronald has been making conciliatory ges-tures towards Mr Gienow and has said that while APV control is the preferred option, even without it SEN could use APV's sales network. Talks between the two men

are expected soon at which Sir Ronald is likely to make a generous offer for a further slice of SEN equity.

Although agreement is possi-ble, both sides still seem far apart and Klöckner-Werke is less in need of extra cash following a boom year in the steel

### 





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**US MONEY AND CREDIT** 

### Parallels in Fed discount moves

similarities between last Friday's discount rate hike and the last time the US Federal Reserve raised this rate, which is something of an obsession with politicians and financial markets and has precious little influence on monetary

conditions. On both occasious, the discount rate was raised after a series of tightening moves had already taken place in the money markets, where the Fed funds rate is the main tool of policy and feeds through directly to the broader structure of short-term interest

The Fed had tightened policy on successive occasions in December and January before finally moving the discount rate to 7 per cent last Friday. The August discount rate move ing moves which had begun in

August, 1988. On both occasions, Mr Alan Greenspan, Fed chairman, made it clear that be was not uncomfortable with the everwidening spread between the discount rate and the Fed

He gave a clear exposition on this subject in his Humphrey-Hawkins testimony to Congress last week, saying that open market intervention was the preferred method of controlling monetary conditions and that, although the spread was substantial, it was still not as large as it had been in the

Mr Greenspan has not had much luck in persuading financial markets or politicians that the discount rate is not particnlarly important, and it mains the ultimate symbol of Fed policy

On both occasions, the move in the discount rate had followed mounting scepticism in financial markets about the Fed's political independence from the Administration (in the former case, a Reagan Administration on its way out, and recently the newly-arrived Busb

Administration). Last autumn, the conventional wisdom had been that the Fed would at all costs avold a politically damaging hike in the discount rate, even after July's alarmingly strong employment figures were released. because the proximity of the Once that view was widely aired, Mr Greenspan could not, without losing his credibility, avoid moving the discount

The same was true of recent events. A discount rate rise became inevitable on Valentine's Day, when President George Bush told the world that he was not overly concerned about inflation and rejected any further boost to interest rates.

Mr Greenspan duly raised the Fed funds target to show that the Fed did not share this irresponsible attitude towards price pressures.

The chairman was then under considerable pressure to follow actions with words in last week'a Humphrey-Hawkins testimony. He duly did, delivering aggressive warnings on inflation.

At the same time, Mr Green-span revised upwards the Fed's 1989 inflation projection and the market once again clamoured for action.

They got it with a second rise in tha Fed funds target last Thursday and the discount rate increase on Friday. The publication of figures showing a 0.6 per cent rise in consumer prices in January, which fol-lowed the announcement of a I per cent rise in producer prices, gave the Fed clear justification to raisa its official rate when it did.

What remains unclear is whether there was finally a majority on the board of Fed governors in favour of the move because of the consumer prices data or whether the central bank was forced to act by falling financial markets and, particularly, a rapidly weakening dollar.

Dollar weakness must have been a crucial component of the decision. For months now, the Fed has been given some flexibility because the US currency has been in demand. Any hint that the mood of the currency markets has changed is very worrying indeed.

Over the weekend in overseas markets, the dollar was steady at around its lows in the US on Friday but no Last week's barrage of Fed

moves still leaves a great many questions to be answered. The first is whether the US moves last week will lead to a of series of rate rises in Europe and whether the dollar will hold steady in spite of them.

ulation at the end of last week that the Bundesbank will raise official rates at this

Thursday's council meeting. Secondly, will the latest two increases in the Fed funds target to around 9% per cent start really to slow the economy down? Everyone will have to wait and see but there are likely to be further market jitters before any real evidence

emerges.

This week sees the publication of the first revision of fourth-quarter gross national product. The consensus fore-cast is for GNP to be revised higher to growth in the final quarter of 2.3 per cent com-pared with 2.6 per cent in the preliminary release, although several analysts are predicting a much larger revision.

The consensus of opinion after the discount rate rise was that the Fed funds target will have to rise a touch further to slow the economy down. How-ever, nobody believes that any further firming is going to be

Mr Greenspan said last week that monetary policy was about on track and that was before the latest hike in the Fed funds target.

policy is now just ahead of inflation

The ontlook for the bond market remains uncertain. Despite the very sharp rise in short-term interest rates over the last two weeks and the discount rate hike, the yield on the Treasury's benchmark long bond still remains within a 8% and 9% per cent trading range in place since the beginning of last September. The yield closed last Friday at 9.18 per

The yield curve became more inverted last week with the spread between two- and 10-year maturities widening from minus 17 points to minus 25 basis points and the spread between Fed funds and the 30-year widening to minus 63 basis points on Friday from an average of minus 14 basis points during the first quarter of 1989.

Economists at Drexel Burnham Lambert believe the curve could invert by another 20 basis points as the short end of the curve adjusts Itself to the reality of the cost of funds and long yields remain supported below 9% per cent.

It may well be the Fed believes that	J	anet	Bush		
US MO	NEY MARK	ET RA	TES	(%)	
	Last Friday	1 week ago	4 wis	12-month High	12-month Low
Fed Fonds Greekly arcrage)	9.77	9.31 8.76	9.08	9.77	6.27 6.21 5.74
Three-month Treasury bills		9.02	8.48 8.78	9.86	6 21 6 74
Three-mouth grime CDs		9.55	9.25	9.55	677
30-day Commercial Paper	9,62	930	9.00	9.30	665
90-day Commercial Paper	9,52	9.45	8.05	9.72	6.65
US BONI	PRICES A	MD Y	ELDS	(%)	
	Last. Fri.	Change on will	Yield	1 week	4 wt.
Seven-year Treasury		-4	9.45	9.25	9.10
20-year Treasury	10013	1	9.31 9.18	9.15	8.97
30-year Treasury	9635	-12	9.18	9.04	8.86
Money supply: In the week	anded Sehrmen			mon Bros	
money suppry. In the wook	to \$784b		nany aug	4300G IN I	1011 40'ST
NRI	токуо во	ND IN	DEX		
		PERF	ORMANCE	NDEX	-
		Average			
December 1983 = 100		yleid	Last	12 w/s	26 w/s
	16/2/89	(%)	week	290	290
	140 00	411	1 40 40	14754	240.00

		NDEX			
December 1983 - 100	16/2/89	Average yield (%)	Last	12 wis	26 wks
Overall	148.58	4.64	148.49	147.73	143,33
Government Bonds	149.16	4.37	149.21	149.17	143.55
Municipal Bonds	150.96	4.86	150.69	149.14	145,26,
Gortguaranteed Bonds	152.07	4.90	151.85	150.12	146.84
Bank Debentures	141.72	4.60	141.51	140.73	137.26
Corporate Boods Yes-desom, Foreign Bonds	148.79	5.39 6.11	148.62	146.52	144.26
Yest-desous, Foreign Bonds	152.85	6.11	152,75	149.92	146.90
Government 10-year)	4.88		4.88	4.82	5.23
† Estimated par yield			uroe: Nom	1000	

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**UK GILTS** 

# Concern on inflation leads retreat

THE GILT-EDGED securities market found itself somewhere between a rock and a hard place last week and it did not like it. The fall in the pound was enough to remind the mar-ket that economics does mat-

Whether or not the pound's fall will prove temporary is still not clear. Turning points are, however, often seen after rather than at the beginning of the period of transition.

The gilt market retreated significantly last week. The fall in long-dated gilts would probably have been greater but for the Bank of England's aggressive buy-in of stock (variously estimated at between 2500m and £1bn). Inflation is the key concern

and that can be exacerbated only by an untimely fall in the pound. The Chancellor sought to reassure markets on interest rates and the Budget, though he did not say anything about the pound, possibly because he was not asked.

was not asked.

In any event, 2 per cent of currency tightness was given up by last week's full in the pound, and this at a time of expectations of rising inflation and the need felt by some to keep policy tight for a period long enough to influence wage barrainers later in the wear. bargainers later in the year. The message on interest rates, however, seems to rule out a post-Budget cut in rates and suggests that a rise in

rates is not being contemplated or seen as necessary. In terms of a cut in rates, the market consensus has moved the time horizon out to the late spring. It was always on the cards that at precisely the time when evidence was mounting that the economy is slowing, the pound would crack. Few, how-ever, predicted that this would happen at the same time as a

generalised tightening in mon-etary policy worldwide. Indeed, many of the signs are pointing to quite a rapid slowdown in domestic activity in response to the monetary tightening of last summer/av tunn. The Bank's weekly banking report underlined this with MO growth 7 per cent or lower in February, down

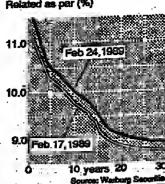
from 81 per cent in January.
Wednesday's January trade
figures will prove a test in the
short term for sterling, but developments internationally, which are not propitious, might be more meaningful.

Last week's tightening by

the US Federal Reserve and the possibility of another rise in West German interest rates could make the maintenance of sterling at current levels difficult to sustain. The outcome of tha Bundesbank'a council meeting on Thursday will be

watched.
With the erosion of interest rate differentials taking place, together with the second thoughts creeping into the minds of international investors concerning the so-called "high yielding" currencies, sterling now appears vulnerable to just about everything. The upward move in interest now moribund "tap" system.

UK gilts yields Related as par (%)



rates abroad could not have come at a worse time for the

• At the request of the Gfit-Edged Market Makers Git-Edged Market Makers
Association, the Bank of
England agreed to attend a
meeting of market makers
which will take place tonight.
On the agenda is how the
Bank will conduct reverse auctions for gilts in future and
more general issues relating to more general issues relating to the buy-in programme and pos-sibly the future for the structure of gilts in issue. It is unlikely that the three Bank executives planning to attend the meeting will adopt much more than a passive role, however, and listen with interest.

As the tap system worked by the market knowing what the Bank wanted to sell and pricing that stock relative to oth ers near it on the yield curve, so a "drain" would work in the. same way if the market knew a number of the stocks the Bank was interested in redseming.

A similar system of pricing of the target stocks and those others near it would evolve. The Bank would be under no compulsion to buy, especially if the target stocks traded at too high a premium relative to other sectors of the market.

The Bank's current method of buying in is seen by some to resemble a random walk. A clear method with some broadly defined ground rules could remove that uncertainty.

Another idea doing the rounds is the consolidation of a number of like gits into one large issue. This has apparently found some favour with the large institutions.

How could it work? Take the 2003/05, the 2003/07 and the 2004/08 stock in issue and create a mega-issue of 12.25 per cent 2003s. This stock would have similar characteristics. In terms of duration, maturity and coupon, to its constituents. The financing cost to the Treasury, except for administra-tion, would be minimal. Alternatively, offer attractive conversion terms on two of the above into remaining stock.

Simon Holberton

### FT/AIBD INTERNATIONAL BOND SERVICE

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1	DS DOLLAR STRAIGHTS James	mich week Yiele 90's -ly 30.57	QUEBEC PROV 1316	97 925 - 10.13 150 103 - 10.84 100 1005 - 10.77	TEXACOCAPITAL 111 94	580	2041, -4	2.66
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ŀ	DEUTSCHE BK FIN 1312 69 200 DKB ASIA 814 91 100	1064 -4 10.36 1003 -4 11.39	BANK OF CHINA 1, 92	200 70-1 +1 9.3	BR COL PROV 12'4 91	: 100	100 - 11 1011 - 11	17.59 12.18 12.43
۱	DSM (8) <sub>4</sub> 9)	954 -4 10.34 96 -4 10.65 974 -4 10.62	BANK OF MONTREAL 1/20 98 BANK OF MONTREAL 3 96	200 99½ 0 86 250 98 +1 9½ 250 98% 0 9½	DENMARK 11-5 91.	75 50	48 - I'v	12.52
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ı	PUJI HTT. 107, 90 100 GAZ DE FRANCE 127, 93 175 GEN. ELEC. CRED. 91, 91 100 GEN. ELEC. CRED. 12794 200	1031 - 11.20	FORTUDE FEDERALL 92.	100 993 0 92	IBM WORLD TRADES 4 90	150	991 -1	866
ŀ	GRAET 90 200	1043, -4 10.91 964, -4 10.57	GRINDLAYS & 94	125 983 - 2 994 100 995 0 95 100 996 0 91 100 996 0 91 100 996 0 91 100 996 0 134	INTER AMER DEV 10 45	200 200	555 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	9 19
ı	EMAC 10 92 250 GENOSSEN ZENTRAL 14 91 200	106 -4 10.59	GW 0/S FIN. 1, 94. HALIFAX 0.S. 1/10 94. HALIFAX B.S. 2/25 96 8 6. HESSISCHE LANDESBK 94.	200 993 0 134	1 MORGAN STY TST 85-90	100	991 0	9.16 8.73
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1	MANITOBA 7-5 95. 150  MANITOBA 8-1, 93. 125  NANITOBA 1-1, 69. 100  MARIYA A SPENCER 0-1, 96. 150	771 - 1034 1011 - 1102	NHL 2NO FUNDING 0.275 14 A S	200 1001 D 1113	KELARD 114 94	75 50	1015 -1 991 -2	11 60 11 60 11 51
1	MARKS & SPENCER 04, 96	901 - 1007 1011 - 1040 871 - 9.99 911 - 9.99 901 - 1067 873 - 1020	NORTHERN ROCK 1, 95 £	200 99% 0 9% 1104 200 99% 1 104 1 10	KREDIETEK INTL 10% 92. LAND SEES 9 % 97 LEEDS PERMANENT 91, 93. MITCHIES WILLIAMS 11 00.	300	985 - 199	11.91 .
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Ì	MOUNT ISA FIN 11 95 100  NAT WEST FIN 11 1, 92 150  NED GASUNIE 11 1, 90 75	1031 3 10.48	TAKUCIN 1, 97 REGIE OLYMPICKIES 94 VEREINSWEST 0/8 91	100 991 0 811 250 993 D 913 100 991 0 913	FUJITA CORPR FUJITSU GUNZE	03/03/93	11125 A	705 4.52 3.37 7.45
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ŀ	NEW ZEALAND 74, 91 250 NEW ZEALAND 843 100	95% - 10.32 95% - 10.30	WELLS FAREOU, 97. WELLS FAREOU, 94. WOODSHOE FUN (FER) 97.	200 933, -1, 98 250 985, -1, 97 250 991, -1, 97 300 995, 0 95 300 985, -1, 97	SEXISIN HIRISP	22/05/41 17/09/92 28/16/91	107 +4	2015 2216 3379
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### UK COMPANY NEWS

OMPUTER distribution

can be a treacherous business. Less than a

On Friday, a battered and emaciated MRS announced the

market. All the mora so, because it hore a certain

resemblance to events of 1985. Then, a period of expansion

had likewise coincided with a

price war and the company plunged into the red with bor-

rowings of £17m.
MBS's misfortunes mark the

failure of the rescne plan

drawn up hy two TRM directors

who joined the company at the end of 1985. Ironically, MRS's most recent downfall resulted

from the shifts of policy of their former employer. Most damaging was IBM's decision at the end of 1987 to

increase the number of its UK

distributors from two to eight.

Margins were drastically eroded and in July, MBS closed its IBM PC distribution busi-ness, which had been the larg-

But IBM has not been alone in disrupting the personal com-

puter market. The recent disas-

trons performance by Amstrad, shifts in the balance of power

tors and, more recently, changes in the European mar-

ket place before 1992 make the PC distribution business one of the least predictable around.

Not surprisingly, MBS is not the only sufferer. Similar diffi-culties afflicted the distribu-

tion husiness of USM-quoted

Norbain Electronics, which it sold last August. Another casu-alty on the USM was Personal

Computers, which after mov-ing into the red, was taken over by P&P, the largest player, for £11.5m earlier this month.

between dealers and distribu-

# Harry Oppenheimer to step down from Minorco board

THE BRUARY DA

A THE STATE OF THE

Simon Ha

MR HARRY Oppenheimer, the South African businessman, will step down in May from the board of Minorce, the Lorem-bourg-registered investment group which is hidding 23.2bm for Consolidated Gold Fields, the diversified mining com-

pany.

A letter accompanying.

Minorco's offer document, sent
to Gold Fields shareholders A SECOND yesterday, reveals that six directors of Minorco are stepping down from the

In his letter, Mr Julian Ogilvie Thompson, Minorco's chair-man says that the board is being restructured to reduce the representation of Anglo American and De Beers, the twin pillars of the Oppenhel-mer husiness empire. Anglo American and De Beers currently own 60 per cent of Minorco's equity.

As well as Mr Oppenheimer,
Mr Sidney Spiro, a De Beers board member and Mr Nell Clarke, a former chief executive of Charter Consolidated where Minorco owns 36 per cent are leaving the

board.

The three other directors to depart are Mr John Abell, Mr Robert Clare and Mr Louis Marx However, there will still be an Oppenheimer on the Minorco board. Mr Nicholas Organizations of the Minorco board. Oppenheimer, Harry's son, is joining as a non-executive

Minorco launched a renewedbid last week having had its offer cleared by the Monopolies and Merger Commission.

The offer document makes clear that there will be no full current Minorco offer, one of

its shares and £20.50 in cash for every two Gold Fields shares, is worth around 1412.5p per Gold Fields share. Minorco still faces a hurdle

in the form of a US court injunction which forbids it to purchase any Gold Fields shares. It already owns 29.6 per cent of Gold Fields

equity.
Sir Michael Edwardes. Minorco's chief executive, said that last week's Gold Fields interim figures, which showed pre-tax profits of £137.7m "highlighted the fundamental weakness of Gold Fields' financial structure. In particular cial structure. In particular, shareholders should note the good overall performances of businesses which Minorco will retain and the derisory return on Gold Fields passive investments which Minorco

### Further tactical move at Unilever

By Christopher Parkes, Consumer Industries Editor

tactical acquisition to reinforce its leading position in the world folletries market.

Unichema, part of the Anglo-Dutch multinational's

speciality chemicals division, has bought a 90 per cent stake in Glyco Iberica, a private panish manufacturer of raw oleochemicals production cen-tres in the UK, the Nether-lands, West Germany, the US, Glyco, which employs 40 peo-Spanish manufacturer of raw materials for the cosmetics and

UNILEVER has made a further . ple near Barcelons, last year turned over Ptas500m.
The purchase reflects Uni-lever's concern with tactical moves to fill gaps in its geo-graphical, technical and distri-bution range.

Spain will now be added to Unichema's existing tally of

Earlier this month Unflever bought the Faberge perfumes and cosmetics business in a strategic move which almost doubled the size of its personal products interests:

Other tactical buys in the past few months have included moves into small companies in seed breeding for its agribusiness division, and bakery sup-plies for its developing interest

### Goodman buys more Berisford

By Clare Pearson.

MR LARRY Goodman, chairman of the private Irish meat processing company Goodman International, has heen huying more shares in Berisford International, the sugar processing and commodities group formerly called S&W

He now holds 7.4 per cent of come under fire from Associ-he equity, having topped up a ated British Foods, which has 3.9 per cent holding which was 24 per cent of its shares, about the equity, having topped up a 6.9 per cent holding which was revealed early this month.

Although Mr Goodman has not clarified his motives, he is seen by many City observers as supportive of Berisford. Berisford has also recently

its indirect involvement in a \$600m (£342m) bid for Univer-sal Foods of the US.

ABF has complained to the Stock Exchange about lack of information on the deal.

DEWEY WARREN: offers for

issued capital and loan stock of

Argyle Trust accepted in respect of 20,890,437 ordinary shares (93.8 per cent) and £2,937,731 nominal Argyle loan

VANTAGE SECURITIES: for

1988 it is proposing final divi-

dend of 2.4p (2p) making 3p

stock (96.4 per cent).

### **COMPANY NEWS IN BRIEF**

COSALT has purchased Raven of Barnsley for 2675,000 cash. Raven makes workwear, and in 1988 earned profit of some £160,000 before tax; exceptional items and bonus. Net tangible assets at December 31 were

profit £112.000 (£39.000) for six months to November 30 1988. Earnings 1.52p (0.37p) and interim dividend again 1.35p.

**House Property** 

Shares in House Property Company of London, the small

property company chaired by Mr Bob Baldock, the Austra-

lian entrepreneur, have been

suspended. A reverse takeover

of the group is expected to be

announced early this week.

suspended

EXCALIBUR GROUP has paid £800,000 deferred consideration for PMC (Sheffield), acquired in July 1968. The consideration is to be satisfied by the issue of 1,113,197 ordinary, 513,197 of which are being retained by

SCOTTISH INVESTMENT SHELDON JONES: turnover Trast; net asset value was 26.95m (£6.95m) and pre-tax 177Ap at January 31, against 165.5p at October 31 1968. In three months to January 31 pre-tax revenue ahead 71 per cent to £3.68m (£2.16m).

(2.5p), from earnings of 3.05p (2.75p). Gross income £191,000 (£163,000). Net asset value 108.7p (97.9p) at year-end. **BOARD MEETINGS** 

TODAY.

### Predictions about the future course of this shake-out vary. widely. The gnestions that buoyed by manufacturers such bedevil the forecasters concern as IBM and Compaq which are

A: SMALL cloud over the Mr Michael Webster, managing independence of Eleco Hold. director of Eleco.

Strategic bought most of the holding from Whitecroft which stake in the building products and property development group by four pension funds run by Mercury Asset Manage-

### FT Share Service

Eurofinance N.V. sponsed in the Nether limited liability) £200,000,000

AMENDED NOTICE Halifax Building

Society Floating Rate Loan Notes 1996 For the three month period from 23rd February, 1989 to 23rd May, 1989 the Notes will bear interest at the

rate of 13 1/4 per cent. per annum. The Coupon amounts will be E161.54 per E5,000 Note and E1,615.41 per £50,000 Note. psyable on 23rd May, 1989. February 27, 1989, London By Giberk, N.A., (CSSI Dept.), Agent Ber organ Grenfell & Co. Limite

year ago, MBS was one of the mightlest microcomputer dis-tributors in Europe and was confidently expected to double its profits to film in 1988. This issue has been given added force by worries about Northamber, the second largest distributor, which has seen hrokers' forecasts cut from £7.5m to £6.6m in recent weeks. That has accelerated the fail in

large-scale upheaval during which aven the best-placed players, such as Northamber, will be hurt. "It is a market defying gravity," he says.

Mr Ian McLeod of ANZ McCaughan agrees that the market will be extremely competitive this year. Price cuts by manufacturers will be expended. this year, compared with 30 to 50 per ceot last year, he pre-

The delays in the delivery of Amstrad's new range of high performance PCs have pro-vided an added headache for distributors. Originally dne a year ago, they are now expec-ted in the middle of 1989.

His confidence stems to large part from IBM's announcement this week that it was dropping the dealer price of its top selling model 30 systems. The result, believes Mr Phillips is that IBM systems will be able to fill the

the Amstrad machines. Mr David Southworth, man-

will increase by 20-30 per cent this year and margins will be

the scale of a likely price war in the sector and the differing effects this will have on dis-

emanated MAS announced the departure of its chief executive and disclosed that it had probably made a loss in 1988.

It was a stark reminder of the turbulent and changeable nature of the PC distribution market. All the more as its share price which has shed a third of its value since last

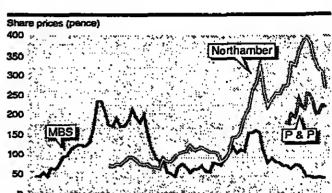
The concern about MBS and Northamber has prompted a dismal view of the industry's prospects. Mr Peter Goloh of Warburg Securities foresees a large-scale upheaval during

manufacturers will result in a 10 to 15 per cent increase in the value of distributors' turnover

But not everyone concurs that this will be a year of bloodshed. Mr David Phillips, chairman of Northamber, does not expect 1989 to see more turmoil than any other year.

gap left by the late delivery of

aging director of P&P, thinks that conditions are unlikely to worsen. "Everyone thinks we have a new problem. We have not, he says. He predicts that volumes



1986

1987

businesses to further its dealer

operations.
The demise of MBS's distri-

hution husiness is partially hlamed on the conflict arising

from the fact it is also Europe's

dealer arm as well as a distri-hution arm - find it has made

Reservations about P&P's

policy do exist and some deal-

ers will not buy from them on

the grounds that they are

opening up their customer

books to a rival. Such is the view of Systems Reliability,

which acquired Fletcher Den-

nys, the loss-making computer dealer, last March. "As a mat-ter of principle, we do not like dealing with companies that

are wearing two hats," says Mr

For the most part, however,

P&P has convinced the indus

try that its worries are ground-

less. Its dealer operations are

confined to big corporate cli-ents and so do not conflict with

its distribution operations, where it sells solely to small

customers. Even so, Mr South-

state of flux.

1988 89

aiming to increase the price tomers that the distributor is using knowledge about their

1984

1982 1983

A turbulent market that defies gravity

Vanessa Houlder looks at the sometimes treacherous computer distribution business

Nonetheless, Mr Southworth believes that this will be a test-ing year. "Many companies have increased overheads to a level where they cannot sus-tain margins. People panic and go for volume without profit."
The upshot, accordingly to
Mr Southworth, is that several companies will go to pieces and will be mopped up by the larger players. P&P is well placed, he argues, because its emphasis on added value from training, installation, net-working and maintenance-will help it increase margins

and market share.
The importance of adding value is echoed by other companies. Logitek, for example, which joined the market two years ago, is determined to build up its maintenance and training activities. Nonetheless, analysts bark back to the experience of MBS, which shows that high margin services offer little protection if the underlying distribution

operations suffers. The prospect of the consolidation of the market raises some intriguing problems. Chief of these is the relationship between the distributors which sell to dealers and the dealers. dealers, which are usually small high street operations

selling direct to consumers. The argument centres on companies which combine a dealer business with a distribution business. Inevitably, this provokes suspicion among cus-

Lloyds

With the greater maturity of its dealer network and the increasing number and complexity of IBM products, the new system made more sense from a marketing viewpoint, it said. It also brought it in line

with other manufacturers such as Compaq.

Mr Phillips of Northamber plays down the significance of this change. Volume discounts mean that Northamher's advantage over small dealers

has not been eroded, he says. But among the dealers the dacision has come as a hig relief. Systems Reliability, for example, complains that the previous system was unfair in that it allowed distributors to undercut dealers in the end user market.

P&P also welcomed the changes. "It has cleaned up the market. It has given clear channels of distribution where before there were mists and clouds," said Mr Southworth. largest PC dealer. Now, people wonder, will P&P · which has a

Further changes to the dis-tribution market are underway according to Mr Southworth.
One incentive for this, he says, is the growing popularity of systems using products from several manufacturers. This is prompting manufacturers such as IBM and Hewlett-Packard to launch joint-ventures with P&P in marketing to potential customers.

Other changes are being trig-gered by the approach of 1992. The abolition of trade harriers is forcing the manufacturers to think more internationally, as cross-houndary mergers among their customers make their domestic markets less secure.

Accordingly, companies such as Hewlett-Packard are pressing to move their distribution onto a pan-European basis by the end of the year, That, says Mr Southworth, means that P&P is looking to forge Euro-

worth is the first to admit that the relationship between deal-ers and distributors is in a National differences in the relative importance of distribu-European integration a com-Mnch of the responsibility plex business. But already, some French players bave for this lies with IBM. Followacquired or set np operations in the UK. Unless UK distribuing the carnage last summer, IBM decided to phase out its distribution agreements and tors respond, the goal posts instead give its dealers around the country greater discounts. seem likely to be moved yet

### Eleco welcomes share buy

The disposal by Strategic, Investments lifts the total of Eleco shares under MAM's discretionary management to 20.6 per cent. It was welcomed by

The following security was added to the Share Information Service in Saturday's edition: Samitomo Bank (Section Banks).

Guaranteed Floating Rate Nates due 1996 unsuccessfully hid for Eleco in

For the three months Pebruary 24, 1989 to May 26, 1989 the Notes will carry an interest rate of 13.25% p.g. with a Coupon Amount of £165.17 in respect of £5,000 nominal of the Notes and £825.87 in respect of £25,000 nominal of the Notes payable on May 26, 1989. Canbunk, N.A. (Dept)

CIVAS 4 LIMITED U.S.\$200,000,000 Floating Rate Notes d

Interest Rate 10.37063% p.e. Interes Period February 27, 1989 to August 25 1989, Interest Psyable per US\$100,000 Note US\$5,156.51.

### THE ROYAL BANK OF CANADA US\$350,000,000 Floating Rate Debentures

n accordance with the terms and conditions of the Debentures, the interest rate for the period 28th February 1989 to 31st March 1989 has been fixed at 97% per cent per annum. On 31st Merch. interest of US\$8.449852 per US\$1,000 nominal amount of the deb

ORION ROYAL BANK LIMITED Agent Bank and Principal Paying Agent

OFFICE **ENVIRONMENT** The Financial Times proposes to publish this survey on: 5 April 1989 For a full editorial synopsis and dwertisement details, please contact Denis Cody on 01-248 8000 ext 3301

Bracken House 10 Cannon Street London EC4P 4BY

**FINANCIAL TIMES** 

### AITKEN HUME LIMITED

£20,000,000 **Revolving Credit Facility** 

Arranged by

Lloyds Bank Capital Markets Group

Provided by

Österreichische Länderbank

as Lead Manager

Lloyds Bank Pic Banco Central S.A.

Yorkshire Bank PLC

The Hokkaido Takushoku Bank, Limited FennoScandia Bank Limited

State Bank of New South Wales

Berliner Bank AG

as Managers

S.F.E. Bank Limited

as Participants

**Facility Agent** 



### crédit foncier de france ¥ 15,000,000,000

Guaranteed Floating Rate Notes Due 1997

For the six months 28th February 1989 to 30th August 1989

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 4% per cent. per annum, and that the interest payable on the Interest Payment Date 30th August 1989 against Coupon No. 8 will be: ¥ 24,464 per ¥ 1,000,000 and ¥ 244,635 per ¥ 10,000,000.

> The Industrial Bank of Japan, Limited Agent Bank

### Morgan Grenfell Group plc

U.S. \$200,000,000 **Undated Primary Capital** Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 27th February, 1989 to 29th August, 1989 the Rate of Interest will be 10%% per annum.

The interest payable on the relevant Interest Payment Date, 29th August, 1989, will be US\$540.10 for each US\$10,000 Note and US\$13,502.60 for each US\$250,000 Nate.

Agent Bank: Morgan Guaranty Trust Company of New York

# This advertisement appears as a matter of record only

European Company for the Financing of Railroad Rolling Stock Basle, Switzerland

DM 150,000,000 61/8% Deutsche Mark Bearer Bonds of 1989/1995

Interest Repayment: Listing:

6%% p.s., payable annually on February 24 February 24, 1995 at par Düsseldorf and Frankfurt am Main

Trinkans & Burkhardt

Industriebank von Japan (Deutschland)

BHF-BANK CSFB-Effectenbank

Westdeutsche Landesbank Girozentrale

Westdeutsche Genossenschafts-Zentralbank eG

Deutsch-Schweizerische Bank

Morgan Stanley GmbH

Bayerische Landesbank

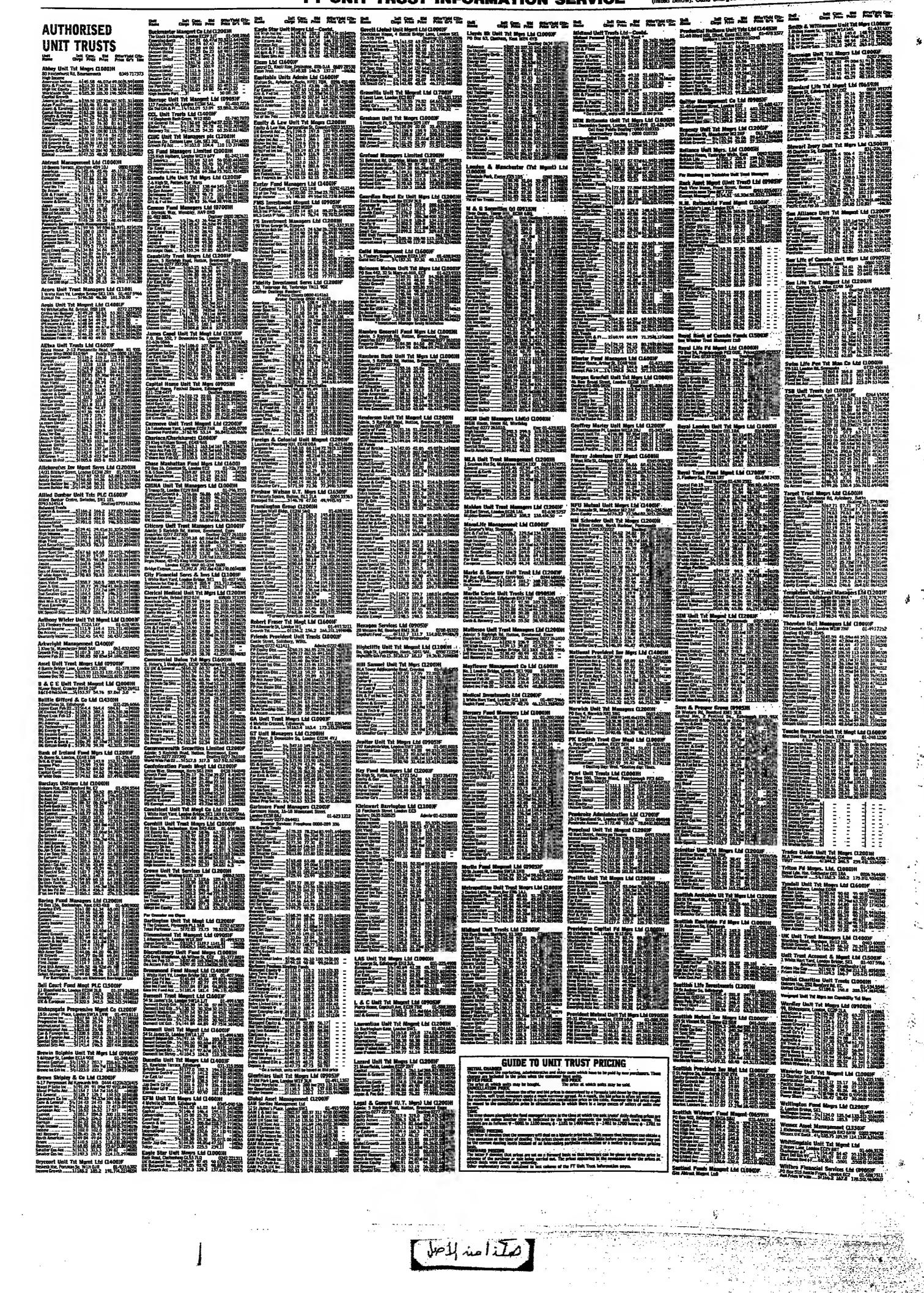
Amro Handelsbank

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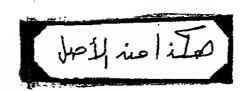
Landeskreditbank Baden-Württemberg J. P. Morgan GmbH

Société Générale - Elsässische Bank & Co.

FINANCIAL TIMES STOCK INDICES Feb. 20 91.43 86.18 88.31 88.78 89.04 89.06 Government Sees. .. 98.53 98.55 98.67 50.53 Fixed interest ..... 1663.4 1660.7 1673.7 1696.0 1696.9 1678.1 1714.7 1349.0 1926.2 Gold mines .... 169.2 163.6 162.4 158.7 157.2 154.7 312.5 154.7 734.7 43.5 1050.47 1048.43 1055.94 1068.07 1069.39 1058.89 1082.84 870.19 1238.57 61.92 FT-Act Atl Share. .... 2019.5 2016.6 2033.7 2061.0 2065.8 2042.9 2096.2 1694.5 2443.4

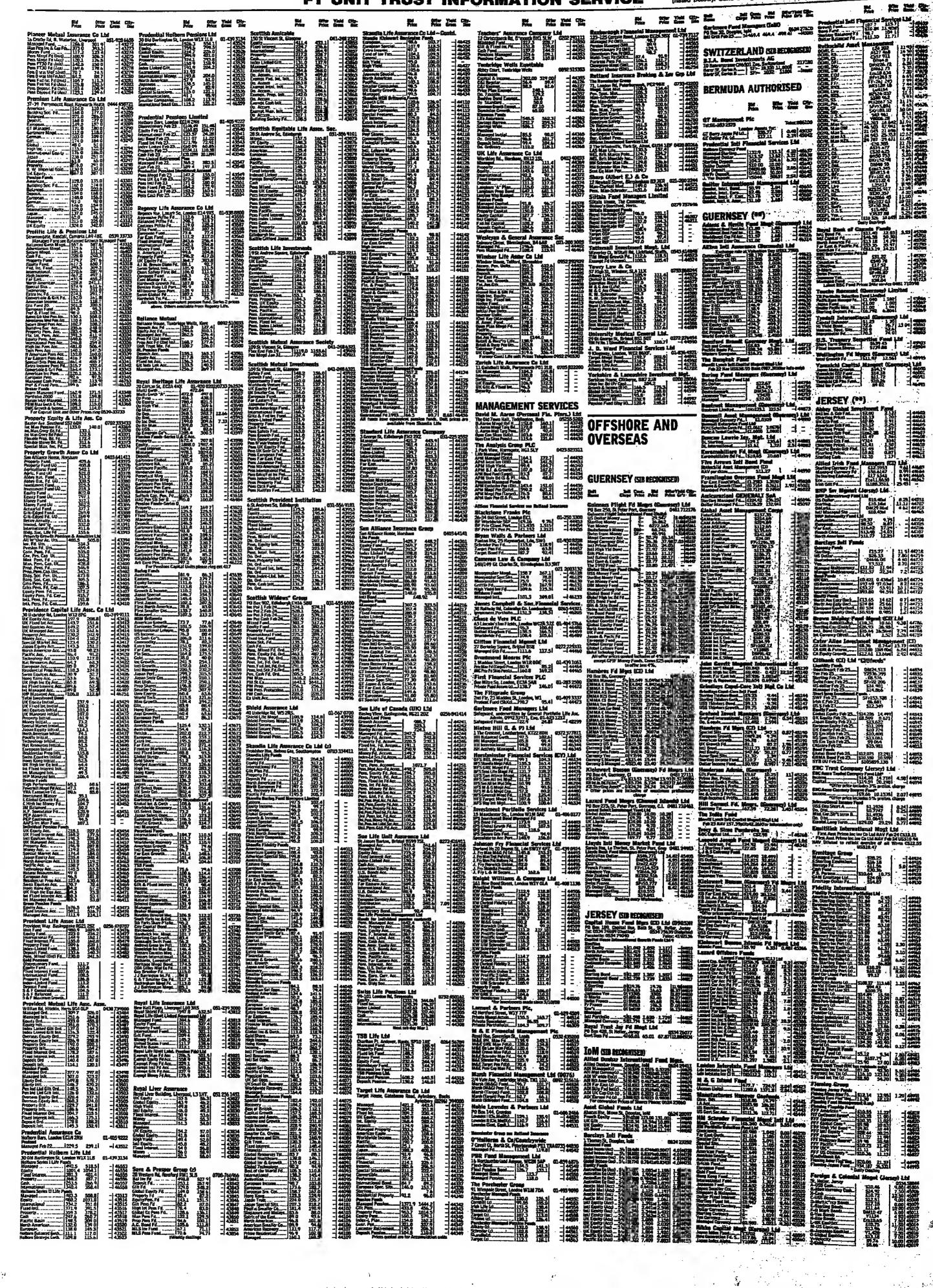


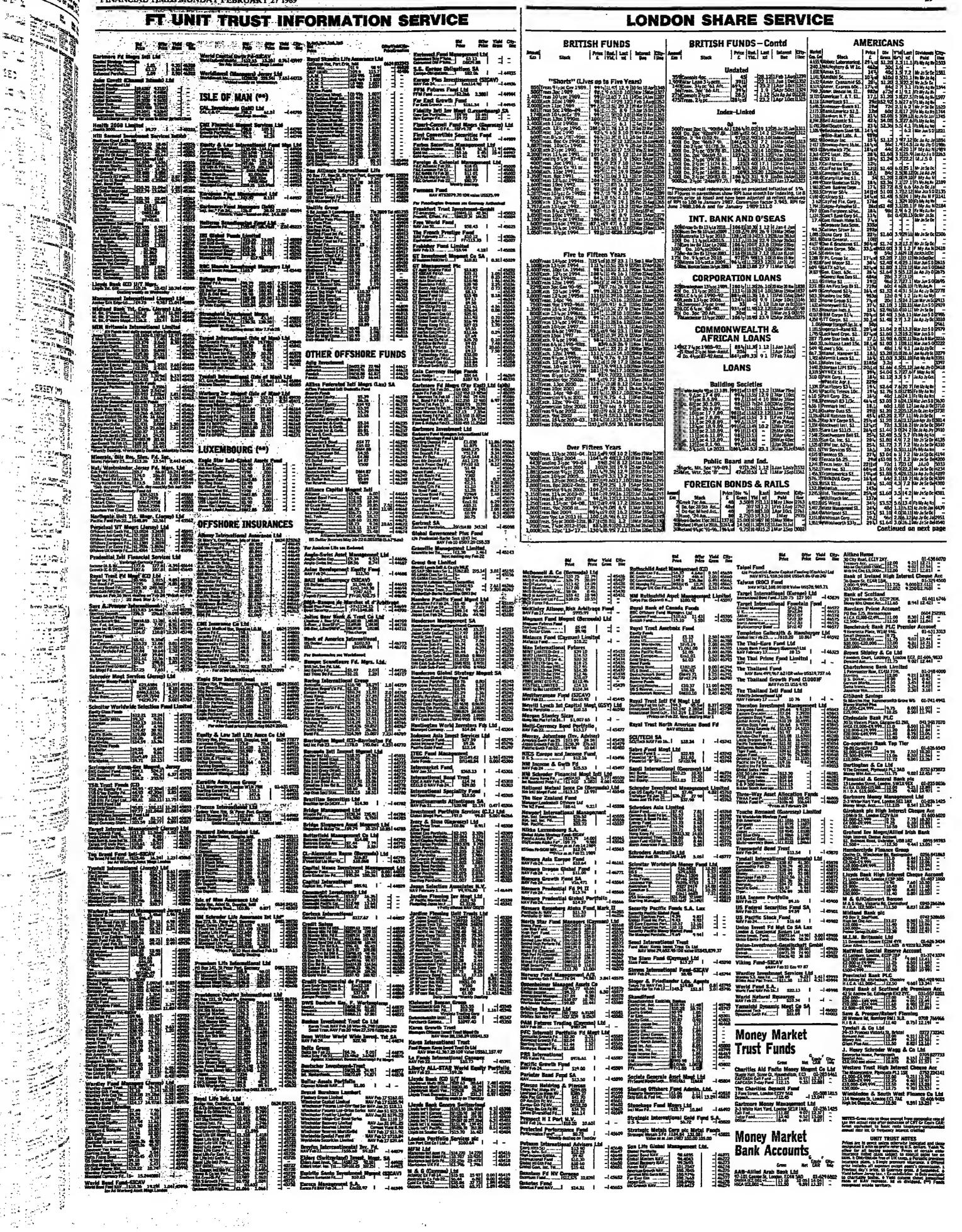
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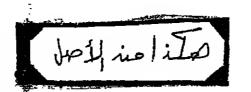
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42 1 HAshtead Group 10p. y 1 th2.0; 0.9(2), 12 Apr 0ct 214 0 Attwords 5p. 8l 37 7 0 2 512 12 large land	7.30/Goodman Group 5py  20/ga0.33 22/20.6  August 27/23 89.8/Great Universal \$1.650m  128.5  2.31/3.2  Mar Dec 27/40 1716.3/GUS A	7.2011/CL Group Spy 11 L2.51 4.3125.41 June 14337 320.98881 100	19.1 Dyna Hotels ir 59. y 19.1 Dyna Hotels i	40.5 Johnston Grp. 10p. v 405 10.07 3.331.10 Jan., July 3054 19.3 Journals (7) 10p. v 412 48.8 5.0.5 9, 9 Oct. 60a; 206.1 3.1 7.7 48 kalanzaro 10p. p 42 2.06.331.10 Jan. July 3054 42.7 7.48 kalanzaro 10p. p 42 2.06.331.11 Jan. June 2067 1.3 1.7 48 kalanzaro 10p. p 42 2.06.331.11 Jan. June 2067 1.3 1.7 48 kalanzaro 10p. p 42 2.06.331.11 Jan. June 2067 1.3 1.7 48 kalanzaro 10p. p 42 2.06.331.11 Jan. June 2067 1.3 1.7 48 kalanzaro 10p. p 42 2.06.331.11 Jan. June 2067 1.3 1.7 48 kalanzaro 10p. p 42 2.06.331.11 Jan. June 2067 1.3 1.7 48 kalanzaro 10p. p 42 2.06.331.10 Jan. June 2067 1.3 1.7 48 kalanzaro 10p. p 42 2.06.331.10 Jan. June 2067 1.3 1.7 48 kalanzaro 10p. p 42 2.0 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3	73 3.813 2 Apr 0c: 11931  Triannic Sp
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42.9[Erithy] 103  13.0  3.9 19.9  Dec. June (2493) 1	18 (885)ani (Group 10) v 81 L3.4 5,6/8 11 5032 48.585)cryood (67 10) v 880 r4.5 1.617.10 Gctober 4762	21.0 Chemrise Group So., v 668 21.5 4.12812 Feb. July 2116 1 10.5 Do. Cav. Rd. Pf So., 125 6 0 6.517.10 May0ct 2117	12.5 Authert Assocs. Sp. V   183   3.0   3.930.1   4796     22.5 Authert 100	2.47fm AMM Spit 12g, -1 10.51Mmy - 201 no.29 0.1 1.8 Apr Nev 1391 97 20.51Mmy - 20.3 no.29 0.1 1.8 Apr Nev 1391 97 21.51Mmy - 20.3 no.29 0.1 1.8 Apr Nev 1391 100 21.51Mmy - 20.51Mmy - 20.	### LEISURE  9964 & M Gross 100-14  100-16-216-1  100-16-2
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### CURRENCIES, MONEY AND CAPITAL MARKETS

### CURRENCIES AND MONEY REVIEW

### Sterling may need further base rate rise

ARE similarities between the Australian and British economies, including an expensive cur-rency supported high interest rates, a current account deficit, and a budget surplus, but the theory that because the Australian dollar has fallen by 10 per cent sterling must follow suit seems to have one serious

The Australian Government wants the local dollar to fall, but the British Government has no intention of letting the pound follow a similar course.

So far sterling has been supported by a mixture of modest intervention from the Bank of England, plus words and rumours. The authorities are trying to defend the pound on the cheap, according to Mr Roger Bootle, chief UK economist at Greeowell Montagu Gilt-Edged, bot may yet be forced into tougher action, involving another rise in bank

It was not long ago that the 2 IN NEW YORK

certain financial markets were specu-n the Aus- lating about the timing of a base rate cut, but sentiment has completely turned round. March short sterling futures on Liffe now discount a Libor rate of 134 per cent at delivery on March 15, the day after the Budget, while the June contract points to a Libor rate of 13 per cent at delivery. There is no indication here of any cut in base rates even by June.

Mr Bootle says he believes Wednesday's UK trade figures for January could be crucial in deciding whether there is an early rise in base rates. He argues that Mr Nigel Lawson, the Chancellor, will not welcome a sterling crisis in the next week or so, when he is trying to make his final calcu-lations on the Budget.

Tactics used to defend the pound have included a moderate amount of intervention, timed on Thursday to coincide with the Chancellor's speech in the Commons, promising a prudent Budget and no ques-

CURRENCY RATES

tion of a premature cut in interest rates. Another event which seemed timed to unsettle sellers of sterling was a Press report on Friday that Mr Lawson will claim in his Budget speech that the UK current account deficit for 1988 is closer to £7bn than the official estimate of £14.3bn.

This created some suspicion that it was another move to blunt the impact of bad news. Rumonrs of a rise in the annual inflation rate to 7.5 per cent were circulating freely in the City several days before the figure was confirmed on February 17.

The £7bn current account deficit story will at least cause some doubt and confusion about the underlying level of any shortfall whatever the January deficit turns out to be. A deficit of under £1bn on the current account will be regarded as good, and a sign that the balance of trade is moving in the right direction. A figure between £1bn and

and cautious. This would also be in line with City expecta-Barclays de Zoete Wedd believes there is a danger of higher base rates in the near future, but suggests this may be limited to ½ per cent, taking the rate up to 13½ per cent.

BZW notes that building special and still limited a societies are still liquid with funds to lend at present and a rise of 1/2 per cent in base rates should not trigger higher mort-gage rates. Nevertheless it would signal to the foreign

rates to 14 per cent, according

The Chancellor may offset

some of the pain of higher base rates with a cut of 1p in the

standard rate of income tax in the Budget, which Mr Lawson could still claim was prudent

to Mr Bootle.

Colin Millham

exchanges that Britain has no

intention of following the Aus-

RRENC	L MOAE	MEN12	OIME	M CURKE	MC4E3
	Bank of	Morgan <sup>ee</sup>	Feb.24	2	\$
Feb.24	England Index	Changes %	Argentina	31_8950 - 32_1005 2_1215 - 2_1245	18.2100 - 18.3 1.2120 - 1.21
organisme Jan Dellar Jan Dellar Jan Sebilling In Franc I Krone I Krone	96.5 66.6 101.2 106.7 105.9 107.2 113.1 108.4 110.3 99.2 97.1 151.8	-15.0 +12.1 -1.4 +9.9 +0.1 -1.5 +20.9 +17.9 +13.3 -15.7 -20.3 +85.7	Korea(SUA) Korea(SUA) Koreak Lucembolar Mataysia Medica N. Zeatand Saudi Ar	7.4670 - 7.4890 267.25 - 272.10 13.6465 - 13.6595 123.259 1178.95 - 1188.45 0.50325 - 0.50440 67.10 - 67.20 4.7735 - 4.7850 4063.50 - 4100.15 2.8025 - 2.8075	38.25-383 2.7290-2.73
organ Gearant; -100, Bank of -100)—Rates are	England Index	verage 1980- (Base Average	S. Af (Cm) S. Af (Fn) Taivan U.A.E	4.3455 - 4.3570 6.8265 - 6.9620 48.60 - 48.85	2.4850 - 2.48 3.8985 - 3.97 27.65 - 27.7 3.6725 - 3.67

POUND SPOT- FORWARD AGAINST THE POUND

Feb 24	Clos	e	Close	Feb.24	rate	Drawing Rights	Currency	
	1.25.1 3.62.3	41pm 30pm 57pm ounts apply to		Austrian Sch Beiglan Franc Danish Krope Deutsche Mark	7 1154	0.755826 1.32723 1.58684 17.0151 50.7599 9.32528 2.41941 2.73144 8.25736	0.646976 1.13641 1.36199 14.6256 43.6070 8.10603 2.07873 2.34669 7.08554	
		Feb.24	Previous	italias Lira	125	1786.45	1532.17	
8.30 an 9.00 an (0.00 an 11.00 an 1.00 pn 2.00 pn	n	96.8 96.7 96.7 96.7 96.6	96.7 96.5 96.6 96.5 96.4 96.5	irish Punt	2012 813 9 5 7	167.563 8.84599 152.322 8.31709 2.06119 203.252 N/A	143,893 7,60260 130,347 7,14179 1,77167 174,724 0,779593	
3.00 pn 4.00 pn		%.6 %.5	96.7 96.7	*All SOR rate a	re for Fe	1.23		
			-	-	-	ATEC		

Feb.24	Short	7 Days	One	Three	Six	Poe
	term	pocice	Month	Months	Months	Year
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Feb.24	£	\$	OM	Yen	F Fr.	S Fr.	H FL	Litra	C \$	B Fr.
£	Î.570	1.753	3195 1823	221.3 126.2	10.89 6.212	2.728 1.556	3.608 2.058	2359 1346	2.099 1.197	67.15 38.31
DM	0.313	0.549	14.44	69.26	3.408	0.854	1.129	738.3	0.657	21.02
YEN	4.519	7.921		1000,	49.21	12.33	16.30	10660	9.485	303.4
F Fr.	0.918	1.620	2.934	203.2	10.	2,505	1313	2166	1.927	61,66
\$ Fr.	0.367	0.643	1.171	81.12	3.992	1		864.7	0.7 <del>69</del>	24,62
H FT.	0.277	0,486	0.886	61.34	3.018	0.756	1.529	653.8	0.582	18.61
Lina	0.424	0.743	1.354	93.81	4.616	1.156		1000.	0.890	28.47
C 5	0.476	0.835	1.522	105.4	5.188	1,300	1.719	1124	1	31.99
8 Fr.	1.489	2.611	4.758	329.6	16.22	4,063		3513	3.126	100.

### **MONEY MARKETS**

### Fed tightens as split opens on US policy

THERE IS a split on US On Friday the US discount economic policy between President George Bush and Mr Alan per cent, although this was Greenspan, chairman of the Federal Reserve Board, according to Mr Rupert Thompson, international economist at helow the Fed funds rate,

Morgan Grenfell. Mr Greenspan seems much more concerned about inflation than Mr Bush, and this is illustrated by the Fed's tightening of its monetary stance. Rates could yet move higher according to Mr Thompson, with the Federal Funds rate touching 10 per cent, if US economic growth remains strong. He added that this month's employment data is likely to

provide the key to any further tightening by the Fed. Chase Manhattan started an upward move in US bank prime rates last Thursday, with an increase of ½ per cent to 11½ per cent. It followed Fed intervention, pushing the Fed funds rate up to 9½ per cent from 9 per cent.

against a normal differential of about 1% to 1% per cent. The market was left speculating about another discount rate

UK clearing bank hase feeding rate

rise in the near future, even though it could provide an unwelcome boost for the dol-

This poses a question about when and whether the Bundesbank will be forced to increase key West German interest rates, and also whether the UK authorities will squeeze bank base rates higher, to renew London's interest rate differential and support the pound.



### The Republic of Panama U.S. \$70,000,000

Floating Rate Serial Notes due 1990

For the six months 28th February, 1989 to 31st August, 1989

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 11% per cent. per annum, and that the interest payable on the relevant interest payment date, 31st August, 1989 against Coupon No. 22 will be U.S. \$115.64.

> The Industrial Bank of Japan, Limited Agent Bank

Feb.24	Day's spread	Close	One month	P.A.	Three months	P.E.
tts	2357 5 - 2367 5 11.69 5 - 11.74 5 10.87 5 - 10.96	17525 - 17535 20900 - 20990 3,694 - 5,614 67,10 - 67,20 12,454 - 12,454 11,995 - 12005 31,94 - 5,194 264,15 - 265,15 200,70 - 201,00 25582 - 22594 11,694 - 11,704 10,895 - 10,895 10,895 - 11,067 2204 - 2214 22,47 - 27,50	0.44-0.41cpm 0.30-0.17cpm 14-13-cpm 35-20cpm 54-43-ccpm 0.54-0.99cpm 14-13-pripm 30pm-15-cis 15-parcpm 5-parlinesm 14-13-ccpm 14-13-ccpm 14-13-ccpm	291 134 5.61 4.91 4.82 5.15 6.34 0.45 1.27 1.41 3.31 1.36 8.47 6.10	1.22-1.17pm 0.58-0.39pm 5-1.55pm 90-0.50pm 14-1.45pm 1.55-1.45pm 4-4-1.50h 5-1.5db; 7-pmpm 5-1.44pm 9-1.84pm 6-4-2.pm 4-4-2.pm	0.97 6.02 4.62 5.00 6.02 0.57 1.77 3.89
Switzerland.	2724 - 2734	2724 - 2734	114-11grupin	6.87	364-344 pm 44-45 pm	8.25 6.31 6.87
3,62-3-5/cpm		FORWAR				v .
Feb.24	Day's spread	Close	One month	% pa	Three months	% p.a.
UKf	1.7490 - 1.7595 1.4555 - 1.4625	1.7525 • 1.7535 1.4600 - 1.4610	0.44-0.41cpm 0.30-0.35cdis	291 267	1.22-1.17pm 0.73-0.83-6c	2,73

Feb.24	Day's spread	Close	One month	% p.a.	Three Courts	% p.a.
data and and and and and and and and and an	20545 · 2.0665 38.15 · 38.49 7.094 · 7.134 18185 · 1.8305 1504 · 151 114.20 · 114.95 1342 · 13495 6.665 · 6.69 6.204 · 6.24 6.265 · 6.29 126.00 · 126.75	1825 - 1828 1504 - 151 11435 - 11445 13454 - 13464 657 - 6675 6274 - 6274 126,20 - 126,30	0.44-0.41cpm 0.30-0.35cdis 0.33-0.18cdis 0.33-0.18cdis 0.50-0.47cpm 1.00-0.85orcpm 0.50-0.49fpm 23-28cdis 23-28cdis 2.00-3.50tredis 0.22-0.12cpm 0.80-1.00oredis 0.80-1.00oredis 0.58-0.56ppm 3.50-3.10orogis	2967-55822-5457-55822-5457-55822-55822-55832-558880-55888-55888-55888-55888-558880-55888-55888-55888-55888-558800000000	1.22-1.17pm 0.73-0.8365 0.51-0.5848 1.49-1.44pm 20.00-12.00pm 20.00-12.00pm 1.43-1.37pm 70-12.0ds 81-8846 7.00-9.00ds 2.05-2.35ds 0.65-0.50pm 1.80-2.10pm 1.80-2.10pm 1.80-2.10pm	273, -1.14 -1.82 -1.83 -1.63 -2.52 -2.38 -1.32 -1.32 -1.32 -1.24 -1.32 -1.32 -1.32 -1.32
tzerland .	1.5510 • 1.5620 and are quoted to US mency. Belgian rate &	1.5560 - 1.5570	0.53-0.50cpm	3.96	1.53-1.49pm	3.87

		HONE	Y RAT	ES		
NEW YORK			Treasur	y Bills and	Bands	
(4pm) Prime rate Broker loss rate Fed_fusts Fed_fusts at intervention.	103-3	One month		8.77 Four 8.93 Five: 9.24 Seven	year	9.55
Feb.24	Overaight	Oce Month	Two Months	Three Months	Six Months	Lombard
Frankfurt	5.90-6.00 813-9 473-54 6.68-6.81 4-4.3 113-124 8-50 74-73	5.80-5.95 94-94 512-54 6.90-7.00 48-43 124-124 8-81 74-72	6,35-6.50 91 <sub>6</sub> -91 <sub>2</sub> 71 <sub>6</sub> -81 <sub>6</sub>	6.55-6.70 94.9% 536 7.08-7.18 4343 124-124 84-84 84-83	6,734,95 93,-91,  83,-87	6.00 7.25

L	DNDO	N MC	NEY	RATE	S	
Feb.24	Overnight	7 days notice	One Mouth	Three Months	Six Months	One Year
Interbank Offer Interbank 81d Sterling CDs. Local Authority Deps. Local Authority Bonds 0 Isoount Alkt Deps. Company Deposits Finance House Deposits Finance House Deposits Treasury 81lls (Buy) Bank 81lls (Buy) Fine Trade 81lls (Buy) SOR Linked Dep Offer SOR Linked Dep Offer ECU Linked Dep Offer ECU Linked Dep Offer ECU Linked Dep Bid	13%	124	12124 - 121212 1212 1212 1212 1212 1212	13.13 12.13 12.13 12.13 12.13 12.13 12.13 12.13 12.13 12.13 13.13	1311 131 131 131 131 131 131 131 131 13	122125 122125 122125 123125 12
Trassury 81lls (self); one-month 1218 per cer discount 12.5059 p.c. If 1509. Agreed rates for 1509. Agreed rates for tydev. 13.171 p.c. Loc discount 1509. Agreed rates agreed agreed rate for the finance Houses B seven days notice 4 per deld under one month 9 six-nine months 11 per c December 1,1988. Dep	period Febr 1.C. Reference 1.I. Authority ase Rate 13 cent. Certific 2 per cent; ent; nine-two	pary 20,190 e rate for po and Finance 1 <sub>2</sub> from Fet cates of Tax one-three m	by to March bried Decemb ce Houses se wary 1 . 19 c Deposit (Se outlis 11 per cent	ter 31 to Jav ven days' no 89: Bank Deries 6); Der cent; three	, Scheme I: mary 31 , 19 otice, others enosit Rates	13.43 p.c., 969, Scheme seven days for sums at

C11-60 a.m. Feb.20 3			ERB/		FIXING	<u>a</u>	<u></u>
Md 913	offer 1	04	644	102	Į offi	r 103	
te fixing rates are the arithmet noted by the market to five ref- ark, Bank of Tokyo, Deutsche	Cank, Basi	SE RELIGIES	de Paris and	Morgan GID	rany (rest.		٠
BANK OF E	NGLAI	ND T	de Paris and	Morgan GID		IDE	R
BANK OF E	NGLAI	ND TE	de Paris and	Morgan GID	LL TE	1DE	Feb 17
BANK OF E	NGLAI	Feb.17	REASU	RY BI	Feb.	1DE	Feb.17
BANK OF E	NGLAI Feb.24 £100m £357m	Feb.17	REASU Top accepted Average rate	RY BI	Feb. 12 53	24   1 3% 12 59% 12	Feb 17 4541 4113
na, pana or tokyo, Desiscie	NGLAI	Feb.17  £100m £195m £100m	REASU	RY BH	Feb. 12 530 12 500 12 900	1D 15 24   1 33% 12 59% 12 59% 12	Feb 17 4541 4113

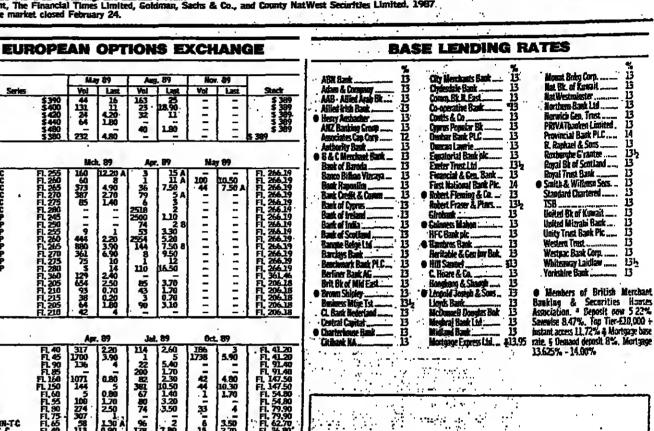
Bills os offer Total of applications Total allocated Minimum accepted bid Allocated at minimum level	C267	CIOE	Top accepted rate of discount. Average rate of discount Average yield Account on offer at pest bands	12 5059	%12.4541% %12.4113% %02.8076% £100m
WEEKLY C	HANG	E IN W	ORLD INTER		
LONDON Base rates	Feb.24	change	NEW YORK	Feb.24	change
7 day interbank 3-month foterbank	123	Unetrd • 13 • 14	Prime rates Federal Funds 3 Mth. Tressory Bills	11 ½ 9 ½ 8.98 9.28 10.025	+1. +0.12 +0.23 +0.35
Treasury 81/1 Tender Band 1 811/s Band 2 B11/s	125059	#0.0946 Undi'd	6 Mith. Treasury 8015 3 Mith. CD	9.28 10.025	+0.23 +0.35
Band 3 Bills		Unch'd Unch'd Unch'd	FRANKFURT	6.00 5.825	Vectrd
3 Mrth. Treasery Bill 1 Mrth. Bank Bills 3 Mrth. Bank Bills	1 7317	444	One mth. Intertank Three month	1125	+0,050 +0.500
70KYO One month Bills			PARIS Intervention Rate	7.25 93 92	Dach'd +3g +4g
Three month Bills	41 42	**	Three month	9 <u>%</u>	+%
Oze month	81) 88	渂	One pronth	125 125	Unch'd Unch'd
AMSTERDAM One morth Three mosth	6.95 7.13	+0.19 +0.31	OUBLIN One month	7½ 8¼	Unch'd Clock'd
1 M C PROVIDE	1.13	40.3I	[ TOTAL PART	94	OHEN 6

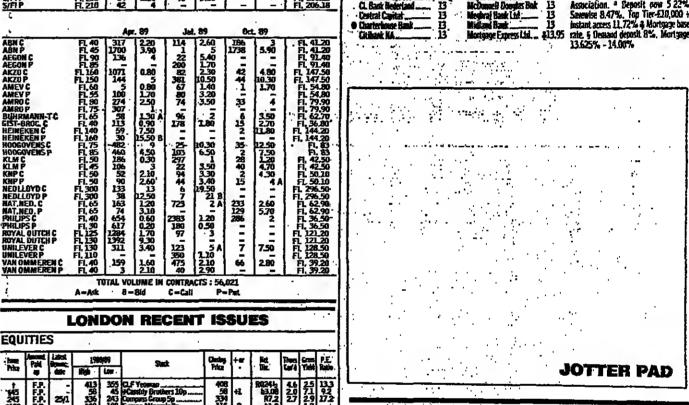
### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 24 1989					THURSDAY FEBRUARY 23 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks oer grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yleid	US Dollar Index	Pound Sterling- Index	Local Currency lodex	1988/89 High	1968/89 Low	Year ago (approx)
Australia (89) Austria (18) Belgium (63) Canada (125) Denmark (39) Finland (26) France (130) West Germany (102) Hong Kong (44) Ireland (17) Italy (98) Japan (456) Malaysia (36) Mexico (13) Netherland (29) New Zealand (24) Norway (26) Singapore (26) South Africa (60) Spain (42) Sweden (35) Switzerland (57) United Kingdom (314)	138.22 100.78 133.51 131.35 170.38 144.81 114.19 84.36 131.17 200.03 159.44 159.30 113.95 72.38 167.75 143.43 130.78 145.12 154.72 76.67	\$264099329924 \$264099329924 \$26409924 \$26409924 \$26409924 \$26409924 \$26409924 \$26409924 \$26409924 \$26409924 \$26409924 \$2640993 \$264093 \$2640000 \$264000 \$264000 \$264000 \$2640000 \$2640000 \$2640000 \$264	116.89 85.23 112.92 114.10 122.47 96.37 110.93 123.85 169.17 134.85 161.17 134.85 141.88 121.31 110.61 127.74 130.85 64.84 125.33	111.49 95.64 126.60 113.99 164.71 129.56 111.28 79.95 131.34 140.68 81.59 159.63 167.64 405.82 107.01 61.45 151.93 127.44 112.55 125.77 143.72 73.98 125.33	4.82 2.57 4.08 3.34 1.79 2.92 2.35 3.64 2.47 2.57 1.26 4.73 6.30 2.07 2.09 4.21 3.83 2.15 2.33 4.38	139.06 100.61 134.31 132.62 171.93 146.70 114.45 83.59 131.38 146.46 82.67 200.11 159.79 158.29 114.19 72.15 167.73 143.58 128.93 145.34 154.44 76.84 76.84 76.84 76.84 76.84	117.14 84.75 113.14 111.71 144.83 123.57 96.41 110.67 123.38 69.64 168.57 134.60 133.34 96.19 60.77 141.29 122.43 130.09 64.83 125.07	111.33 95.17 127.02 114.80 165.56 131.30 111.62 79.20 131.56 140.78 82.73 159.63 167.85 405.85 107.13 61.12 151.79 127.44 111.61 125.85 143.41 74.03 125.07 118.92	157.12 100.78 139.89 137.27 180.38 147.07 119.98 90.40 133.77 146.46 86.88 200.11 164.79 182.24 115.04 84.05 170.76 143.62 139.07 164.47 154.80 86.75 152.54	91.16 83.72 91.4 107.06 111.42 106.78 67.78 84.90 104.60 62.99 133.61 107.83 95.23 98.26 130.73 98.26 130.73 98.26 130.73 98.26 130.73 98.26 130.73 98.26 130.73 98.26 130.73	98.32 87.02 87.02 123.69 115.51 117.81 115.59 88.18 77.61 91.63 114.24 160.94 113.32 149.96 101.51 66.30 111.32 109.47 82.74 109.47 82.74 109.07
USA (568)  Europe (1906) Nordic (126) Pacific Basin (675) Euro-Pacific (1681) North America (693) Europe Ex. UK (692) Pacific Ex. Japan (219) World Ex. US (1879) World Ex. UK (2133) World Ex. So. Af. (2387) World Ex. Japan (1991) The World Index (2447)	117.07 118.36 152.50 194.61 164.07 117.82 99.94 129.78 162.60 144.87 145.24 118.69	746 744 744 744 744 744 744 744 745 745 745	99.01 100.10 128.98 164.59 138.76 99.65 84.52 109.76 137.52 122.52 122.52 122.53 100.38	117.07 106.84 138.35 156.21 136.65 116.91 95.37 113.04 135.79 129.92 129.59 113.49	3.69 3.60 1.94 0.67 1.53 3.66 2.94 4.27 1.60 1.99 2.20 3.67	118.92 118.57 153.07 194.72 164.22 119.64 100.10 130.25 162.77 145.69 146.03 119.82	100.17 99.88 128.94 164.03 138.34 100.78 84.32 109.72 137.11 122.73 123.01 100.93	118.92 106.77 138.65 156.52 118.69 95.42 112.99 135.77 130.50 130.19 114.45	121.99 120.88 153.81 194.72 164.22 122.71 103.11 137.65 162.77 146.04 146.65 122.97	99.19 97.01 98.11 130.81 120.36 99.78 80.28 87.51 120.26 111.77 113.26 100.00 113.37	104.24 107.81 155.76 135.17 107.51 88.39 93.39 134.40 123.26 123.81 106.03

Base values: Dec 31, 1986 = 100; Finland; Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local).
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Clusing Price £\*

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TEESSIDE

The Financial Times proposes to publish this survey on:

21st March 1989

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1 No wide choice of colour (6) 4 Distressing twitch about to

irritate (6)

8 Round of applause is praise in one part of the theatre (7)

9 They see that their papers are in order (7)

11 He has his own ideas on

hoarding (10)

12 Deserve to get the hird, we hear (4)

13 A hard question for one, a sitter for another (5)

14 Set ideas about part of New

York (4.4)

16 Believe Bill has surplus
wealth (8)

18 Bridal path (5) 20 A force retreats to a dis-

tance (4)
21 Remove vital parts of teaservice that's broken (10)
23 They connect similar pres-

26 Capital for a ship holding company (6) DOWN Looked for a new lodge (5)

2 Charming things to wear (7)
3 Dog finally had pupples — that was splendid! (9)
5 It locates alread climbing or descending (5) 6 Collects the rags after sort-

ing (7)
7 The case for a charge (9)
10 Confirm it's a Cartesian translation (9)

13 They don't like to strike (9)

15 Youth organisation uses

coast on manoeuvres (3,6)

17 Savoury portion, not well cooked (7)

19 Waiting for a religious ceremony (7)

21 Fear head chopped off in

service that's broken (10)

23 They connect similar pressure points (6)

24 Misguided claim about The solution to last Saturday's prize puzzle will be published model on a vase (6)

25 Heavenly body became a with names of winners on Saturday March 17

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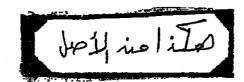
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# **WORLD STOCK MARKETS**

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Tokyo SE (Topks) (4/1/68) ... NEW YORK Feb 24 Feb 23 Feb 22 Feb 24 Feb 25 Feb 22 1,923 738 684 501 24 22 NETHERLANDS MORWAY Dulo SE (4/1/83) . CANADA SINGAPORE Straits Times Ind. (30/12/66) 1135.31 1134.42 1138.75 1131.53 1177.87 @/8/88 23 22 21 272.54 273.36 274.10 272.67 301.63 (15/6/28) adrid SE (33/12/85) **NEW YORK ACTIVE STOCKS** 3639.2 3705.8 3730 0 3699.8 3730 8 (22/2/8-7) Closing price 231<sub>0</sub> 57 k 45 k 31<sub>0</sub> 721<sub>0</sub> Change on day + 14 WITZERLAND Swiss Bank Ind. (31/12/58) .. 643.8 526.1 **TOKYO - Most Active Stocks** Thursday 23 February 1989 12 FREE issues when you first subscribe to the FT & Frankfurt (069) 7598-101 now and ask Wilf Brüssel for details. FINANCIALTIMES If you work in the business centres of HAMBURG, BERLIN, DÜSSELDORF, NEUSS, KÖLN, BONN, FRANKFURT, OFFENBACH, HOCHST, ESCHBORN, RÜSSELSHEIM, MAINZ, WIESBADEN, SINCAPORE

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**FINANCIAL TIMES** 



### How good service can serve profits

ave you ever sat in your socks for 10 min-ntes in a shoe shop, waiting for an assistant to ear, only to realise eventually that you have been for-gotten? Or hung around with a hunch of other customers waiting for the one salesman

on duty to be free?
A 1987 survey of high street customers by Leo Burnett, the advertising agency, discovered that most shoppers thought the best service was in self-service shops. The survey also suggested that shoppers were prepared to pay a little extra for good service.

With some exceptions, British shops appear to be staffed

or understaffed - hy people
who know nothing about the products they are selling and are unwilling to put them-selves out for the customer.

Where are the British equivalents of the obliging packers of the US snpermarkets? Or of the US snpermarkets? Or tha courteous service of the traditional small shops still common in continental Europe? Better still, the Japa-nese "bowers" who welcome and thank valued customers.

At last British retailers have cottoned on to the idea that if customer service – which cov-ers areas like product knowledge as well as politeness at the till — can be improved, shoppers may buy more and come again. And who knows

profits may increase?
Although startlingly obvious to frustrated enstomers, retailers, in the main, are only just realising that they have been losing sales through poor service - and few have any estimate of how much business they may be missing.

### Expenditure on staff training

Of course, improving service costs money, mainly on staff training. Asda, the food retailer, recently found that giving free carrier bags to customers – a pretty basic improvement in service – cost £1.5m in six months. Spending more is a bold idea when shops are desperately trying to cut costs in the face of tougher competition and the consumer

But if retailers look at service as giving them a competi-tive edge over their rivals, the cost becomes less important than the possible rewards. One only has to try shopping in a Habitat, the home furnishing store – where it sometimes seems that nothing which ought to be on the shelves is, and assistants who know the answers are few and far between — to understand why Storehouse, its parent, has been having problems.

been having problems.

Customer service is fast becoming the new fashion for retailers, in the way that design has been for the last few years. That phase had its drawhacks; every shop in every high street in Britain now looks much the same. Similarly, British shoppers Similarly, British shoppers

Similarly, British shoppers may now be in for a rash of have-a-nice-dayers, but at least assistants may look up from their nail varnish to say it.

Woolworth introduced an "excellence" programme in 1987 under which staff won stars to put on their name badges. The 30,000 staff were once regarded by other retailers as the biggest joke on the high street; even the company itself admits the store had become the benchmark for poor service. Now, with a poor service. Now, with a £5m-a-year training pro-gramme, they have improved.

It is hard to put figures on the benefits of better service. But Woolworth claims the training programme has con-tributed, together with a streamlined range and removal of the worst stores, to a turnround from 25m losses in 1984-85 to pre-tax profits of 245.1m in 1987-88. It is perhaps a mark of the parent company's confidence

in the success of service that Comet, the electrical chain which is another part of the same group, has also smart-ened up its act. It has introduced a customer code, which includes giving shoppers the name and telephone number of the store manager in case they have a complaint. The stores are checked by inspectors posing as shoppers to make sure

standards are kept up. In the 1980s many consum ers hanker for some of the aura of the old department stores. Differentiation is the best weapon retailers have in a competitive market and a reputation for service can give a store the edge.

### ernard Arnault could

have become a concert planist. Playing the plano. he says. piano, he says, remains his favourite pastime and he has a special penchant for the great romantic composers like Chopin and Liszt. But there is nothing romantic about the way Mr Arnault conducts husiness. When it comes to running

Louis Vuitton Moët Hennessy (LVMH), Mr Arnault displays a single-minded determination and ruthlessness which has catapulted him in barely six months to the top of the larg-est luxury goods empire in the world. Many hnsinessmen would give their eye teeth to head a group with brand names like Dom Pérignon, Moët & Chandon, Veuve Clic-quot, Hennessy, Hine, Dior, Givenchy, Vuitton luggage, not to mention the Celline and Christian Lacroix fashion busi-

Mr Arnault, the 39-year-old wonder boy of French finance, has not, however, won his bat-tle yet. The French stock market watchdog, the Commission des Opérations de Bourse (COB), is currently investiga-ting share dealings in LVMH which could still undermine his position at the top of the luxury group. The investigation is centred on the unusually large number of shares traded at the beginning of this year just before Mr Arnault took over as chairman. The court could also raise the question of whether Mr Arnault seized overall control and therefore should have made a full bid.

To add to his worries, Mr Henry Racamier, the 76-year-old chief of the Louis Vnitton clan, with about 30 per cent of the company's voting rights, bas already challenged the authority of the young chairman barely a month after his accession to the LVMH throne. Mr Arnault, however, regards himself as the hoss. In his attempts to wrest total control of the Vuitton side of the business by attempting to secure a majority in the Vuitton man-agement, he has met strong resistance from the veteran hut

sprightly Mr Racamier. Life has been made more difficult for Mr Arnault by President François Mitterrand's recent public tirade against stock market speculators, and the President's decision to put the spotlight on LVMH hy drawing attention to possible irregularities in the battle for the leading luxury group in the current highly charged politi-

cal climate in France.

The irony is that Mr Racamier originally turned towards Mr Arnault last year as a potential ally in his power struggie against the urbane Mr Alain Chevalier, the represen-tative of the Moet Hennessy camp and chairman of the group until Mr Arnault took

### THE MONDAY INTERVIEW

# A top name in luxury

Paul Betts speaks to Bernard Arnault, chairman of France's Louis Vuitton Moët Hennessy

over last month. Mr Chevalier had enlisted tha support of Guinness and his old friend, Mr Anthony Tennant, its chief executive. In the end, Mr Arnault, who says that "seiz-ing opportunities is a key to success in business," teamed up with Guinness and between them they accumulated the single largest stake in LVMH with 43.5 per cent of the fully diluted share capital and about 30 per cent of the voting rights. Mr Arnault stumbled into

PERSONAL FILE 1949 Born, Rouhaix. Edu-cated, Ecola Polytechni-

1977-84 Chairman, Farrat-Savinel 1984 Chairman, group Boussac Saint Frères

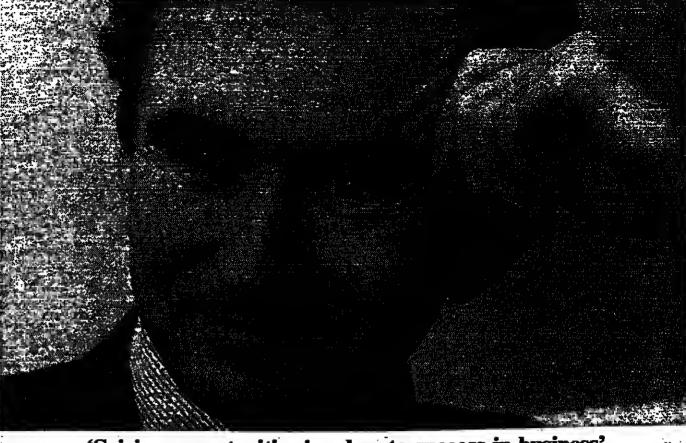
1986 Farrat-Savinai becomes Arnauit & Associés Launches Christian Lacroix. Acquires Céline 1989 Chairman LVMH the luxury goods sector virtu-

ally by chance. After graduating from the élite Ecole Polytechnique in Paris, he went back to his home town of Roubaix to work in Ferret-Savinel the family's construction and property husiness. In 1982, after the Socialists came to power, he decided to emigrate to the US where he continued working in the property mar-ket. "Everybody now agrees that when the Socialists first came to Government it was an economic catastrophe. Fortu-nately, they realised this quickly and adopted a more normal policy. The arrival of Mr Laurent Fabius as Prime Minister, in particular, symbol-ised the return of a more real-istic policy." Unknown, but with the help of Mr Antoine Bernheim, a managing partner of Lazard Frères who quickly appreciated Mr Arnault's acute husiness sense, he decided to take over the tronhled Agache textile group in 1984. It will probably amuse you, but it was one of the very first privatisations since the group was more or less under state control." For Mr Arnault, the first pri-

ority was to turn round Agache. "At the time I still had no idea of becoming number one in the luxury business. But I found that this troubled group was a small conglomerate with the Boussac textile business, consumer products including Peaudouce napples, retailing with the Bon Marché and Conforama, and Christian

After sweeping restructuring
the group's payroll was cut
by half – Mr Arnault returned
Agache in the black. "We then
had to make a choice of what to do next. We decided that the luxury husiness around Digg was very promising with strong profit potential. We could not invest in every sector so we decided to disinvest the nappy business and the tex-tiles. But at the same time we expanded in the luxury side, acquiring Celine and launching the Christian Lacroix fashion

Even before the LVMH saga, Mr Arnault had become a symbol of a new generation of young French capitalists whose financial ingenuity had started to unsettle the country's traditional business estab-lishment. His detractors claim he is a man "too much in a hurry, and criticise what they call his "property developer," approach to business. But he regards his business generation as reflecting what he calls



### 'Seizing opportunities is a key to success in business'

"the rehabilitation of capital-ism in France." The Socialists, he adds, helped to rehabilitate capitalism in France when they embraced more realistic economic policies after 1984. This rehabilitation of capitalism has coincided with the emergence of a number of capi-talistic entrepreneurs. But they must have existed in other periods although they did not receive as much publicity as

Apart from the divisions inside LVMH, what gave Mr. Arnault his chance to invest and take charge of the company was the simple fact that it had no stable shareholders. It was for this reason that the manager of the time wanted to find a stable shareholder. Indeed, if a big European group had launched a takeover bid against LVMH, it would have been successful since there was nobody in France big chough to match it. Mr Arnault controls his

stake in LVMH through a joint holding company with Guin-ness called Jacques Rober. He dwns 55 per cent and Guinness has 45 per cent. Although Guinness and Arnault did not know each other before and are still cautiously getting to

know each other, Mr Arnault says the union is now "solid and irrevocable." As late as last December, there was speculation that Guinness was backing a plan by the former LVMH chairman, Mr Chevaller, and Mr Racamier of Vuitton to split the group in two. But when it became clear that Mr Arnault had out-manoeuvred his rivals by a two-day stock market blitz in January, Guinness rallied behind Mr Arnault. However, the attitude of Guinness towards the latest of Guinness towards the latest power struggle between Mr Arnault and Mr Racamier is likely to be crucial in deciding

ultimately whether the ambi

tious young businessman will succeed in becoming the undis-

He says there are already close relations between his management team and Guinness and that both companies intend to make the Moët Hennessy and Louis Vuitton merger finally work, "This is a unique group because it brings together a series of brands which are practically all lead-ers in their field in the world. With Guinness the initial emphasis will be the common development of our wine and spirits businesses. But Guin-

ness is also interested in our huxury products activities." He intends to pursue the policy of running LVMH as a decentral-ised federation of operating family businesses, some of which are still run by members of the original families, hnt with a centralised strategic supervision. "A company like Dior or Moët & Chandon cannot be managed like a com-pany which makes babies nap-pies. The fact that there is somebody who embodies the business vis-à-vis the outside world, as Mr Fred Chandon does for Moët & Chandon, is a

As for the COB investiga-tion, Mr Arnault says he is very relaxed. "One issue is whether there was insider trad-ing. I bought shares in reaction against an attack on LVMH. I've kept those shares. Moreover, they were bought at an' expensive price because the price has since fallen. I therefore can't be concerned by any insider trading charge. Tha second issue is whether I took control. I have 30 per cent of the votes and I don't think you must confuse management control, which I have because I was unanimously named chair-man, with capitalistic control."

Under French stock market regulations, Mr Arnault would have had to offer all shareholders the same price he paid if he had acquired a controlling stake. But he argues that the group's capital remains com-posite with Arnault and Guin-ness holding 30 per cent of the voting rights, Vuitton another 30 per cent, and the Moët Hen-nessy families 20 per cent.

ment control is comfortable because he has the backing of the Moët Hennessy families with whom relatious are "marvellous. The Vuitton camp, however, is likely to try to lure the Moet Hennessy families to its cause before vital shareholder meetings in coming months which are expected to provide the opportunity for a

major showdown. Is this piano player simply a financial shark as some of his critics claim? "I regard myself as an industrialist. What interests a lot of economic journalists is movement, when you buy something. But if I have been in all these rapid moves, it is with an industrial target. What interests me now is to manage, if I can, for the next 20 years the industrial future of LVMH."

## Blasphemy, obscenity and public order

ew books in modern times can have had such a profound and disturb-ing impact upon the affairs of an ethnic minority in Britain. an ethnic minority in Britain.
Out of the dismaying reaction
to Salman Rushdie's The
Satanic Verses, there may, at
least, be one beneficial ontcome for us all in preventing
any more intolerance than that
exhibited in the hurning of literrature and death threats to erature and death threats to authors who touch on religious sensitivities.

The recent events have revived the flurry of reform proposals which were around at the beginning of this decade at the beginning of this decade to do something about the state of the hlasphemy laws in the light of the variety of rei-gious beliefs in a contemporary pluralist society. The clash between Moslems determined to suppress blasphemous libels against their religious beliefs against their religious beliefs against their religious beliefs and a Government equally determined to uphold freedom of expression reveal the irreconcilable tenets of Islam and Christianity. Law can and should do something to reduce the inevitable tension.

In the one case of blasphemy in modern times which came to the courts, Lord Scarman heavily supported the extension of the law to protect the religious beliefs and feelings of non-Christians. He perceived

non-Christians. He perceived the necessity for legislators to respect the differing religious beliefs and practices in this country and also to protect them from scurrility, vilifica-tion, ridicule and contempt. Lord Scarman hlamed the lack existing English law on blas-phemy, which seeks to cover only Christianity. Blasphemy, he proclaimed, is "shackled by the chains of history".

Blasphamy is a common law offence: that is to say, it has been devaloped through the centuries by the judges in a case-by-case approach, largely untouched by the legislator's hand. It has passed through

Originally, prosecutions for blasphemy were based on the allegation that what was complained of tended to sedition and public commotion, and was therefore likely to involve Maggie Urry a disturbance of the peace. The basis for this view was that, to



threat to public order, the mat-ter was one exclusively for the ecclesiastical courts.
The Law Commission in its

The Law Commission in its working paper of 1981 observed truly that current public order legislation (updated in the Public Order Act 1986) is perfectly capable of dealing with all situations which would be likely to arise. The requirements of public order are not a sufficiently arise. The requirements of pro-lic order are not a sufficiently strong ground for retaining the criminal law to deal with blas-phemous conduct.

This has, in fact, been the view of prosecuting authorities who for more than half a cen-

who for more than half a century have desisted from using an outmoded and anomalous law. The one recent prosecution was privately inspired and prosecuted hy a private citizen without public assistance. The indefatigable moral order campaigner, Mrs Mary Whitehouse, tried to hobble Gay News for its publication of a poem hy a professor of English literature which described a Roman centurion's homosexual fantasies about the crucifixion of Christ. The second stage of the hlas-

The second stage of the hiasphemy law stemmed from a 17th century judicial pronouncement that Christianity was part and parcel of the laws of England and, therefore, to reproach the Christian region of was to speak in subversion of the law. This view was consistentily applied as a precedent for convicting persons of what was, in effect, heresy, unac-companied by any offensive or indecent expressions. Hence the publication in 1819, hy Richard Carlile of Fleet Street, of Thomas Paine's Theological Works was held to be blas-

phemy.

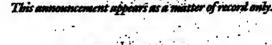
By the end of the 19th century the judges had firmly taken the view that to consti-tute the offence of blasphe-mous libel there had to be something indecent or offen-sive in the words complained of. That concluded the third stage.
Until the recent Gay News case, blasphemy had been

Until the recent Gay News case, blasphemy had been defined as a matter relating to God, Jesus Christ, the Bible or the Book of Common Prayer, intended to wound the feelings of mankind or to excite contempt and hatred against the Established Church. Lord Scarman and two of his judicial brethren, forming the majority decision in the Gay News case, redefined the crime of hlasphemy in broad terms of protecting the susceptibilities of only the Christian religion (an incongruity keenly felt by many Christians) and eliminating any need for the prosecution to prove an intention to vilify Christianity. The defence had claimed unsuccessfully that far from vilifying Christianity the poem was an affirmation that Christ's love extended even to homosexulas. Can the law properly be extended to protect the feelings of the adherents of religions generally? The Law Commission came to the concluston that there was no means of defining religion with a sufficient degree of certainty. There would be no difficulty in including Islam. But what about Scientology? In his speech to the Moslem community in Birmingham on Friday, the Home Secretary ruled out any extension of the law to embrace other religions.

If not extension, what about extinction? It is worthwhile

If not extension, what about extinction? It is worthwhile parliament declaring positively its stance on this highly emo-tive subject. Publications which are intended to propa-gate opinions on religious sub-jects should be statutorily declared not to be blasphenous or profane. If the opinions conor protane. It the opinions contain matter which is grossly offensive to a wide audience, the obscenity laws should be adequate to cope with the situation. If they incite others to acts of violence, they are properly the subject of laws protecting public order. Freedom of ing public order. Freedom of expression is thereby fully pre-served. So would be the tran-

quillity of pluralist Britain.





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